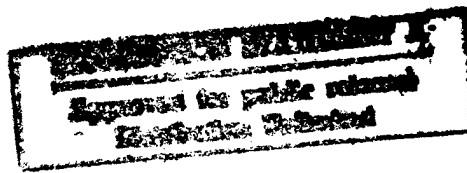


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No. 2036

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27 September 1982

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No. 2036

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TERRORISM

ITALY

NAR MEMBERS ARRESTED, ARMS SEIZED IN ROME HIDEOUT

Rome L'UNITA in Italian 8 Aug 82 p 8

[Article by Raimondo Bultrini: "Four 'Unknown' Fascists Arrested"]

[Text] Rome--Four youths, from 18 to 20 years old, have been helping the super-fugitives of the NAR [Red Armed Nuclei]. The youth have been procuring autos and documents for them, staying in wait for them, keeping for them the weapons used in committing the most ferocious crimes of recent months and preparing in safety for the next bloody assassination. The DIGOS [Central Office for General Investigations and Special Operations] in Rome arrested these youths on 4 August after lengthy surveillance. None of them has ever appeared before on lists of persons suspected of being fascists nor have they ever acted as "militants" for rightist organizations. New recruits, they already have played leading roles in the black terrorist ranks.

Among the weapons found in a very well equipped apartment hideout on Via Nemea were rifles, pistols, submachine guns and very powerful weapons capable even of piercing armor. A Manurhin 222-caliber rifle of Swiss manufacture was found. Deadly as a FAL, this machinegun was used at Acilia on the morning of 10 October 1981 [date at published] to pierce the iron plate and glass of the 'Rhythm' motor vehicle which the antiterrorist police captain, Francesco Straullu, and his driver, Ciriaco di Roma, were using on vacation. Their features were made almost unrecognizable by the shots from this weapon. Another small submachine gun, an M-12, also found in the hideout, was used by Francesca Mambro in the robbery of Giorgio Vale and two service guards in front of the Saudi Arabian Embassy. This weapon was fired again on the evening on 2 May 1982 at the residence of Hammad, PLO leader in Rome, killing two agents and a girl.

In the hideout were also found the pistol which on 5 March 1982 killed a 17-year old boy, Alberto Caravillani, in Irnerio Square "by mistake" following the robbery which led to the wounding and arrest of the "black primrose," Francesca Mambro.

The four just arrested are Marco Cochi, 19, Luca Poli, 18, Enrico Campanini, 20, the nephew of author Carlo Campanini, and Fabrizio Cavaceppi, 18, owner of the apartment at 71 Via Nemea. The first three were crossing the wide part of Milvio Bridge in Rome on the afternoon of 4 August in an R-5 automobile with false license plates. When the antiterrorist police stopped

them, the fugitives offered no resistance, but did throw out of the window a briefcase containing 7.5 million in cash, undoubtedly the fruits of the most recent robberies by the NAR.

After the arrest, police launched the second part of the operation which probably had already been planned for some time. In fact, the police as a safeguard had gone on to Fabrizio Cavaceppi's apartment on Via Nemea, convinced they would find a lot of materiel there. And that is the way it turned out. Cavaceppi offered no resistance either. The search lasted many hours and in every corner were found pistols, submachine guns, rifles, detonators, hand grenades. There were two powerful Manurhin weapons, nine pistols and seven hand grenades. There was also the famous M-12 small submachine gun stolen from the Saudi Arabian Embassy bearing the serial number cited by the NAR in the leaflet found in Milan following the assassination of Straulla.

The police also found a small cot on which Walter Sordi securely slept; he was recognized as one of "the bloodthirsty ones" during the assault on the PLO. There was also a carabinieri [Italian National Military Police] uniform and a voucher with all entries made out to a military policeman named Ricciuti. This name is the same as that on an identity card found on the corpse of Giorgio Vale after his death in the hideout subsequently discovered by the police.

The antiterrorist police are still studying the rest of the items which could still reveal more important information than that so far discovered. As a matter of fact, it is a case of entire blocks of blank identity cards, stolen and counterfeited license tags and numerous floor plans. These could be very detailed sketches of army, police and carabinieri barracks. According to a news leak, these sketches could have been directly provided by someone who knows these barracks well. And so the theory that there will be an attempt against one of these headquarters more and more seems to be taking shape.

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CSO: 3104/277

TERRORISM

ITALY

RED BRIGADES STEALS ARMS FROM ROME MILITARY BARRACKS

Rome L'UNITA in Italian 20 Aug 82 p 5

[Article by Sergio Criscuoli: "The Barracks Compound with a Hole: Members of the Brigade Enter and Surprise Guards"]

[Text] Rome--They came by night, wearing tennis shoes so as not to make noise, their weapons ready. The guards even had their eyes open, but they were checking the gate while the Brigade members were already inside the barracks. They had passed through an opening in the wire fence and had been inside for who knows how long. The loot: 11 MAB machine rifles, 4 Breda-SAFAT aerial machine guns, 4 pistols and a couple of boxes of ammunition. Then, in a telephone call to a daily newspaper, a feminine voice claimed that the assault had been made by the Red Brigade. "The weapons," she added, "will be used in metropolitan guerrilla actions." That means for a new round of ruthless homocides.

Some of the commandos who got into the Castel de Decima air force barracks (at the gates of Rome) last night were probably also in the terrorist group which a little more than 6 months ago raided the Santa Maria Capua Vetere barracks in Caserta. After that unprecedented raid, a hubbub arose. Fault was found with the "security" system at the barracks. Also criticized was the lack of foresight on the part of those who should have taken seriously the Brigade's repeated threats that it would strike against military installations. Moreover, 19 conscripted soldiers were arrested and then sentenced for not having respected confinement to barracks. Then Minister of Defense Lagorio ordered the chiefs of staff of the three armed services to provide for better defense of barracks against future attacks of that nature. New measures were adopted. And one of them worked, last night at Decima, preventing the terrorists from emptying out the internal armory of the barracks as they tried to do. But the results still were serious, disconcerting and discouraging. The Brigade killers are continuing to operate their "self-service" from the barracks of the state, which even has holes in the fence.

Minister Lagorio yesterday hurriedly returned to Rome from Sardinia and called meetings of top military officials. The Ministry of Defense issued a communique which confirmed the initial reconstruction of events and added one fact in particular: The terrorists had made off with "only" the small powder magazine thanks to the courage of a noncommissioned officer who

refused, at gunpoint, to furnish the commandos with the proper combination.. In other words, things could have been much worse.

The terrorists were 10 in number--7 men and 3 women. They had chosen an easy objective: the one at Decima which is not really a barracks but rather an air force radio center in the middle of the country. Within a perimeter of 3 to 4 kilometers there are very high antennas which are connected to the radiotelephonic equipment. On the metal fence there are small metal signplates which say: "Don't touch. Danger of death." Inside, a few steps beyond the entrance gate, there is also a small barracks housing airmen of the VAM [Military Air Force Watch) who are charged with manning and defending the installation.

At 3:45 a.m. last night, the Brigade commandos entered silently, taking advantage of a hole in the rusted wire fence where it runs along Via Vallerano, a narrow paved alley which connects Via Pontina and Via Laudentina. The Brigade members entered one by one and then suddenly appeared together right where the two guards were at the gate, disarming the latter. Right after that, the group raided the small barracks where they immobilized the guard commander and eight airmen who the defense communique stipulated, were either in uniform or engaged in prescribed rest between two turns at guard or patrol duty.

All the airmen were tied hand and foot with wire and then gagged with adhesive tape. Present among them ("in accordance with higher orders," the defense communique also stipulates) was an air force noncommissioned officer who went through the most dramatic moments. The terrorists, threatening to shoot him, tried to make him reveal the system required for opening the armory of the small barracks. This soldier refused to tell them. Then the Brigade members tried to force the "powder magazine," and that set off the alarm siren. At this point the commandos decided to flee. But a little later, seeing that no one was coming to intervene, they came back again. The terrorists then opened up the gate; brought a blue 'Rhythm' inside and began loading it with all the arms which had been issued to the airmen (the 11 MAB machine rifles and the 4 9-caliber pistols along with the ammunition and the 4 Breda-SAFAT aerial machine guns. These latter weapons, the Minister of Defense pointed out, had already been deactivated for precautionary reasons, their firing mechanisms removed and then put in the closed armory protected by the alarm system.

The second incredible flight of the terrorists, or so it seems, had no witnesses. The airmen victims were only able to see the blue 'Rhythm' which might have been an automobile stolen some hours before from a garage in Rome. The conscripted soldiers and the noncommissioned officer were interrogated all day long by the carabinieri and by Monica, the military prosecutor in Rome, while some parents, having learned the news about the raid on the radio, have come to the post--and have not been able to get inside.

According to investigators, one of the commandos actually was Natalia Ligas, the Sardinian terrorist who was accused in the Moro trial and, who is being sought in connection with a striking series of crimes, especially those committed in Capania. These crimes range from the raid on the Santa

Maria Capua Vetere barracks to the Cirillo seizure, from the ambush of DC [Christian Democrat] Commissioner Delcogliano and his driver to the more recent killings of the head of Mobil in Naples, Antio Ammaturo, and of agent Pasquale Raola.

A phrase used by the female member who called to claim that the Brigade was responsible for this latest incident (she was perhaps Ligas herself, since a Sardinian accent was noted) stirs up new theories regarding the evolution of internal disputes in the "armed party." The Brigade had acted, the caller said, "in operative dialectical unity along with the revolutionary movement." According to investigators, that would mean that an alliance has been made between the two opposing factions of the Brigade (the so-called "movementists" and "militarists"). So the stolen weapons would go both to one and to the other, and this would double the danger of new crimes.

9972

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TERRORISM

TURKEY

MUMCU AGAIN ASSAILS ILLEGAL ARMS FOR ARMENIAN TERROR

Istanbul CUMHURIYET in Turkish 29 Aug 82 pp 1,11

/Text\_7 Armenian terrorism has claimed another victim with the assassination of Staff Colonel Atilla Altikat who was our Military Attaché to Canada.

It was not at all coincidental that Armenian terrorism was initiated in the period following Operation Peace in Cyprus. The fact that this was not a coincidence has been demonstrated by the recent relocation of the ASALA organization from Beirut to the Greek-Cypriot sector of Cyprus. Evidence has shown that a portion of the weapons that have been used in merciless terrorist incidents with which we have been confronted since 1975 has been supplied by Armenian smugglers.

It has also been determined that another portion of these weapons has been introduced to Turkey by Greek-Cypriot gangs. It was certainly not a coincidence that the Greek-Cypriot ship "Vasaula" was caught while introducing rocketlaunchers into Turkey and that this ship was under the command of Greek captains.

While Turkey was confronted with an American arms embargo following Operation Peace in Cyprus, weapons worth billions of liras were introduced into our country for use in domestic terrorism. Some of these weapons were introduced by Armenian and Greek-Cypriot organizations. Everyone of these incidents have been documented and the task of drawing the necessary conclusions belongs to government authorities.

The financial source of terrorism in Turkey was definitely located beyond the borders of this country. The purchase by domestic sources of the thirty billion liras worth of weapons and ammunition captured by the authorities would have been impossible. These weapons and this ammunition were being sent by certain financially powerful circles.

The phenomenon of arms smuggling was indicative of some of the clues exposing this financial support. Material support was being provided by Armenian and Greek-Cypriot organizations which were certainly being backed by financial supporters.

Rather than making abstract statements about terrorism, it is more useful to once again review the evidence pertaining to the actual events. What is the relationship between Turkish smugglers and Cemsit Sakuyan, an Armenian who lives in Sofia which is a haven for smuggling? Who are the persons who have used the 70,000 handguns and 27,000,000 rounds of ammunition that were brought into Turkey by a Syrian national named Muhammet Akil Cubukcu, an Armenian named Garabet Sarkis Abriyan and well known Turkish smugglers? What has happened to the investigation pertaining to an article dated 5 February 1981 in Elefteros Kosmos which referred to "weapons being stored in a warehouse in Athens while awaiting shipment to Turkey"? At what stage is the investigation of the incident which became known in the press as "the matter of the 63 international highway transport trucks" and that involved the shipment to Turkey of 63 trucks of weapons by an Armenian firm known as "Overco" and based in The Netherlands? What is the outcome of the trial involving M. Ali Cevikel who is known to the press as the "mysterious army captain" and the thousands of kilos of explosives stored in the cellar of a house located in Istanbul's Gedikpasa section near the Armenian church? To what extent have we obtained information concerning the Armenian in Italy who is masterminding the traffic of narcotics and arms on a global scale?

While all of these matters are being searched into and investigated, it is important that another important matter also be kept in mind. One of the objectives of the Armenian terrorist organizations is to provoke an attack against Armenians who are Turkish citizens and who live in Turkey. Such an incident would be comparable to the "incidents of 6 and 7 September" 1956. The architects of terrorism are calculating the breaking point inherent to the patience of public opinion in Turkey and will want to take advantage of the repercussions of such an attack. Turkish public opinion must understand the necessity of remaining extremely alert against such provocations.

It is with great respect that we remember Staff Colonel Atilla Altikat. We offer our condolences to his wife and children, his relatives, to the Turkish Armed Forces as well as the Turkish nation.

9491  
CSO 4654/433

## ORIGIN, STRUCTURE, PRICE OF ELECTRICITY SUPPLY

Frankfurt/Main ELEKTRIZITAETS WIRTSCHAFT in German 24 May 82 pp 344-347

[Article by Patrick H. De Vos, Chief, Publicity Department, EBES, Antwerp, Belgium: "Electricity Supply in Belgium"]

[Text] In contrast to its neighbors, Belgium has almost no energy sources on its own soil. The Belgian electric power producers learned more than all other European countries from the 1973-1979 oil crises. Belgium has opted for nuclear energy. The production and distribution of electricity in Belgium is mostly in the hands of private enterprises. But Belgium is a typical example of a mixed supply country. Three private companies and one public company participate in electric power generation. They work like one efficient production enterprise and are thus models for many countries. Electric power supply up to an output of 1,000 kwh is handled by the community. Private and public companies compete for the licenses issued by the communities; these permits are necessary to be able to distribute electricity. In past years and above all last year, Belgium managed to offer industry competitive electric power rates, exactly as was done in some German towns in France.

## Primary Energy Consumption

In contrast to its neighbors, Belgium has almost no energy sources of its own and depends on imports for 91 percent of its energy use. The rest is produced at home to the extent of 9 percent from coal and about 0.2 percent from water power (Table 1).

Table 1. Primary Energy Consumption, Given in Megatons of Petroleum

	1973	1976	1977	1978	1979	1980	1981 <sup>1</sup>
Coal	11.6	9.8	9.5	10.6	11.4	11.3	12.7
Petroleum	27.0	24.4	23.2	25.0	24.8	23.5	22.4
Gas	8.6	8.7	8.6	8.5	9.3	9.1	9.1
Nuclear energy (Electricity)	0.0 (0.6)	2.2 (0.7)	2.7 (0.3)	2.8 (0.6)	2.5 (0.2)	2.7 (0.4)	2.8 (0.5)
Total	47	44.0	43.7	46.3	47.8	46.2	46.5
(1) Preliminary data							

Since 1973, Belgium has been less dependent on OPEC. It owes this mainly to the EVU (electricity supply enterprises) which have converted the oil-consuming power plants to coal-consuming power plants and which also followed the recommendations of the IEA and the EC in terms of using more nuclear energy. This can be clearly seen in Table 2.

Table 2. Electric Power Production from Primary Energy Sources, Given in Percent

	1973	1975	1980	1981
Nuclear energy	0.2	16.4	23.3	25.4
Coal	12.8	15.9	24.0	28.3
Petroleum	52.0	38.3	33.8	27.4
Natural gas	23.3	21.7	11.0	9.4
Miscellaneous gases	9.9	6.4	5.8	6.7
Water power	1.6	1.1	1.6	2.2
Preheated steam	0.2	0.2	0.5	0.6
Total	100.0	100.0	100.0	100.0

It is astonishing that the Belgian EVU managed in a relatively short span of time to reduce the predominance of petroleum to one-half. Coal has been the most important primary energy source since 1981.

#### The Electric Power Market

Ebes, Intercom, and Unenerg, three companies in the private sector, are the biggest EVU in Belgium. They produce 90 percent and, in cooperation with the communities, sell almost 80 percent of the electric power sold via "mixed companies above the community level."

Ebes is active in the provinces of Antwerp, eastern and western Flanders, as well as in the regions of Tournai and Hasselt. Ebes also supplies industry in the Antwerp port area.

Intercom activities cover Brussels, Flemish Brabant, the provinces of Antwerp, eastern and western Flanders, as well as Hainaut and the eastern part of the province of Liege.

Unenerg operates primarily in the metropolitan area of Brussels and in the southern part of the country (especially in the provinces of Namur, Luxembourg, and in Walloon Brabant). Unenerg essentially supplies the Walloon steel industry. Ebes, Intercom, and Unenerg stocks are traded on the stock exchanges of Brussels and Antwerp where they are among the most heavily traded securities.

The production of electricity in the public sector is grouped around SPE (Samenwerkende Vennootschap voor de produktie van Electriciteit) in which the government participates decisively. The producers in the public sector in 1981 provided a share of 3.6 percent of the electric power produced in Belgium.

It is the Belgian government's goal to increase this company's share out of the electric power production volume to 15 percent by 1995. To attain that goal, SPE has acquired a property share of 4 percent (in common ownership with the three private companies) in the nuclear power plants now under construction and it has prior purchase right when it comes to acquiring a share of 25 percent in each power plant to be newly erected.

In 1981, more than 6 percent of the total electric energy were turned out by industrial enterprises for their own consumption. The quantities not needed by them were made available to the sales companies.

#### Joint Activities by the Electric Power Industry

In order to rationalize the structure of the electric power sector and to coordinate business management (especially in order to reduce the cost of electric power generation), Ebes, Intercom, Unerg, and SPE have banded together to form the "Beheerscomite van de Electriciteitsondernemingen/Comite de Gestion des Entreprises d'Electricite" [Electric Power Enterprise Management Committee].

The companies have given this committee their decision-making authority on certain basic questions. That includes especially investment planning, rate policy, and a common accounting system.

Ebes, Intercom, Unerg, and SPE moreover have together founded a number of enterprises and have created common installations in order to solve certain problems in fields in which the four companies have the same interest. Among these companies and joint facilities, the following are of particular importance:

The energy pool: joint purchase of solid fuels and price comparison between these fuels;

Synatom: Business management and financing of all installations which are connected with the nuclear fuel cycle.

Negotiations have been started on the founding of a new facility in which the public sector is to acquire a share of 50 percent and which is to continue the functions of Synatom;

Gecoli: Construction and operation of high-voltage power lines and an interconnected grid;

Laborelec: Research and development work for the electric power industry;

"Maatschappij voor de Coordinatie van de Produktie en het Transport van Elektrische Energie/Societe pour la Coordination de la Production et du Transport de l'Energie Electrique (CPTE)" [Company for the Coordination of the Production and Transportation of Electric Energy]: Coordination of power generation, use of the power plants which happen to be most efficient at any particular moment regardless of the ownership situation; coordination of electric power transmission.

This organization, which seems to be unique in Europe, has been in existence since 1937 and was founded by a private enterprise. CPTE plays a central role in exploitation. Since 1 March 1982, SPE with the affiliated CPTE has been a co-founder of the UCPTE (Union of Coordination and Transportation of Electricity) established in 1951; it consists of 12 European countries. Through CPTE, Belgium is included in this international organization because the Belgian 380-kv network is an important link between two neighbors, the FRG and France.

CPTE coordinates power generation of the Belgian power plants and energy exchange with foreign grids. It observes the production and transmission of the most economic kilowatt-hour.

During a weekend in February 1981, CPTE imported cheap electricity (water power) from Switzerland so that oil-consuming power plants in Belgium were closed down. Power plants which were closed down on orders from CPTE share the profit from this kind of arrangement among each other. Basically they then get just as much electricity as they themselves would be producing at the price which they would be paying, minus a discount, paid out like a part of the profit from that operation.

This method applies to all Belgian power plants. This means industrial solidarity to the advantage of cheap kilowatt-hours; and that only accommodates the day-to-day market situations.

In this sector, Belgian electric power production and transmission, compared to all other Western European countries, is most united. The CPTE directs and controls the high-voltage power lines from Linkebeek (near Brussels). The national dispatcher center is located there.

#### Electric Power Generation

The total net output of the power plants located in Belgium in 1981 came to 48.2 Twh, in other words, 5.6 percent less than in 1982 (Table 3). This decline was above all due to the import of low-cost electricity (produced from water power). Exchange with foreign countries in 1981 led to an import balance of 440 Gwh.

Table 3. Electric Power Production, Given in Gwh

	1967	1977	1978	1979	1980	1981
Coal	7,711	9,207	10,300	11,196	12,463	13,922
Petroleum	16,097	14,139	16,401	16,940	17,283	13,197
Gas	11,378	9,666	9,287	10,127	9,450	7,769
Nuclear energy	9,485	11,314	11,872	11,815	11,909	12,219
Water power	331	448	497	571	820	1,072
Total	45,001	44,774	48,357	49,648	51,015	48,179

In 1981, 90.3 percent of Belgium's electric power production came from private companies; SPE supplied 2.9 percent and industrial in-house producers accounted for 6.8 percent.

The Belgian EVU want to help the economy in order as fast as possible to produce cheap kilowatt-hours. This is presently possible only with the help of nuclear energy. This is why the investment program above all is aimed at the expansion of nuclear energy (Table 4).

Nuclear power plants on Belgian soil produced about 2.6 percent more in 1981 than in 1980. This means that the utilization in 1981 was 84.3 percent as compared to 82.1 percent in 1980.

We thus find that the utilization of Belgian nuclear power plants certainly is more than 10 percent higher than the average of the PWR power plants all over the world. By commissioning the two nuclear units in 1982 and 1983, with a capacity of 900 Mw, each, one of them located in Doel and another one in Tihange, and through the commissioning of two units in 1984 with a capacity of 980 Mw, each (Doel 4 and Tihange 3), nuclear energy in 1985 will account for the greatest share out of the total electric power output volume.

Synatom has signed the necessary contracts in order to be able to supply the Belgian nuclear power plants with enough fuel until 1987. Belgium participates with 11.11 percent in the various processing plants placed in operation by EURODIF [European Diffusion Agency] in France. The four nuclear power plant units of 925 Mw of the nuclear power plant in Tricastin belonging to EDT [French Electric Power Company] deliver to the EURODIF processing plants. In Tricastin, Belgium has a share of 12.5 percent of the presumed assets. The irradiated fuels from the Belgian nuclear power plants are processed in La Hague in France on the basis of a contract with the French COGEMA [General Nuclear Materials Company].

The Belgian nuclear electric power company participates in two European projects for fast breeder reactors, that is, the Super-Phenix in Creys-Malville (2 percent) and the SNR 300 in Calkar in the FRG. The Belgian share in the SNR 300 is 15 percent.

To counteract the very considerable price rises on fuels (mostly for petroleum and natural gas) and the supply problems, the Belgian EVU pursue the following policy:

Priority for the use of nuclear energy as the fuel which seems suitable for guaranteeing most of the basic supply with electric power. By 1985, nuclear energy will achieve a share of 55 percent out of the electric power production volume;

Greater utilization of coal as a fuel for conventional power plants (increase of share from 13 percent out of electric power production in 1973 to 32 percent in 1980).

Table 4. Electric Power Production, Given in Mwh (Development over the Past 5 Years and Program for 1981-1985)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Hydroelectric power plants (1)	459	459	499	499	1,131	1,275	1,275	1,275	1,275	1,275
Thermoelectric power plants (2)	7,984	8,004	8,060	8,234	8,214	8,231	8,039	8,010	7,953	8,055
Nuclear power plants	1,387	1,387	1,387	1,387	1,387	1,387	3,187	3,187	5,147	5,147
Total	9,830	9,850	9,946	10,120	10,732	10,893	12,501	12,472	14,375	14,477

(1) These capacities include the pump power plant at Coo-Trois-Ponts which is equipped with three power plant blocks of 132 Mw, each, and three power plant blocks of 207 Mw, each, giving us a total capacity of 1,017 Mw; (2) Excluding power plants which are 35 years old and more; (3) Power plants at Doel 3 and Tihange 2 (1,800 Mw); (4) Power plants at Doel 4 and Tihange 3 (1,960 Mw).

## Electric Power Supply

In Belgium, the community has a legal monopoly on electric power supply involving low voltage within their own boundaries. The communities sell energy either themselves through community-owned companies or in cooperation with other communities through pure above-community companies or in cooperation with one or several private enterprises whereby the latter have responsibility for business management (mixed-above-community companies).

The mixed-above-community companies are managed and operated by private electric power and gas companies. They use their own distribution network or the network which is made available to them by the private companies. The profit obtained by the community-above-community companies is divided among the private enterprises and the community.

In 1981, 78 percent of the electric power delivered to the consumers came from mixed-above-community companies. The rest were shared by the "Regies" (community-owned and purely above-community companies).

The year 1981 was a special year for electric power distribution in Belgium because the distribution of electric power was negotiated and decided through many contracts.

The press and the media reported on these negotiations at length. Many informative meetings were organized in the communities during which the ideological arguments of the intercommunal companies were presented to the boards of directors. Experts from private enterprises were invited very often to present their viewpoints. The goal was to achieve efficient cooperation between the communities and these private companies as partners in a mixed EVU.

In the course of 1981, almost all communities after thorough investigations decided in favor of long-term cooperation with the private EVU. On urging of the private companies, the communities have banded together in larger inter-communal entities of 500,000-600,000 inhabitants, each. In this way, distribution can be handled in an optimum fashion. The years 1981 and 1982 were and are the years of harmonization and rationalization of power distribution in Belgium.

## Electricity Consumption

In 1981, Belgium consumed a total of 44.9 Twh (Table 5). This was a little less than in 1980. This result is above all due to the economic crisis and is naturally also a consequence of more efficient energy consumption.

Table 5. Development of Electric Power Consumption in Gwh/Region

Region	1980	1981
High voltage: Industry	25,462.0	25,015.1
Service	4,670.0	4,796.4
Electric transportation	964.9	1,002.6
Total	31,096.9	30,814.1
Low voltage: Domestic consumption	11,498.1	11,726.0
Small enterprises and craft enterprises	1,425.1	1,451.7
Public Illumination	650.3	648.3
Public buildings	262.9	267.8
Total	13,836.4	14,093.8
Sum	44,933.3	44,907.8

Electricity consumption likewise provides an economic hint as to industrial activities in Belgium (Table 6). Per-capita electric power consumption developed from 3,682 kwh in 1973 to 4,598 kwh in 1979 and comes to 4,553 kwh in 1981.

Table 6. Development of Electric Power Consumption per Industrial Section Since 1973

Areas	Con-	Con-	Annual Increase in %			
	sump-	sump-	1973	1979	1980	1981 <sup>(1)</sup>
	tion	tion				
	1973	1981				
	Gwh	Gwh				
Chemical industry	7,238.6	7,630.0	+14.8	+ 9.3	- 8.3	- 0.9
Nitrogen	(2,743.6)	(2,368.0)	(+18.3)	(+11.0)	(- 7.9)	(- 0.2)
Miscellaneous	(4,505.0)	(5,262.0)	(+12.8)	(+ 8.6)	(- 8.4)	(- 1.6)
Iron and steel industry	5,627.1	5,020.2	- 5.9	+ 6.7	- 6.2	+ 0.2
Metal industry	2,069.9	2,329.4	+ 8.9	+ 4.5	- 1.8	- 0.4
Food industry	1,254.0	1,819.3	+10.2	+ 7.0	+ 3.6	+ 4.5
Nonferrous metals	1,506.6	1,544.8	+14.4	+ 7.3	- 7.1	- 7.6
Paper industry	1,122.3	1,120.3	+ 6.1	+ 3.5	+0.1	- 0.6
Textile industry	1,278.8	1,058.6	- 3.5	- 4.7	+ 0.6	- 8.1
Cement industry	747.2	755.9	+ 0.9	- 1.5	+ 1.1	-10.7
Oil refineries	587.2	708.5	+ 2.4	+ 4.5	+ 4.7	- 5.0
Hard coal mines	8.5.2	630.1	- 8.9	- 4.9	+ 4.8	- 0.1
Construction materials	467.6	413.3	+10.9	+ 0.8	+ 0.5	-17.6
Mirror and glass industry	487.7	460.6	+ 6.7	+ 6.0	+ 1.5	+ 0.1
Stone quarries	252.1	268.9	+ 2.4	+ 3.9	+ 1.7	- 2.0
Miscellaneous industries	937.0	1,255.2	+10.4	+ 9.8	+ 2.3	- 2.5
Sum	24,031.3	25,015.1	+ 8.7	+ 6.6	- 3.8	- 1.9

(1) Preliminary data

## Rate Policy

In view of the significance of the electric power industry to the national economy and the close relationships among the companies, the government has created a surveillance agency for this sector, the "Gas and Electricity Control Committee." The committee consists of representatives from the "Federation of Belgian Enterprises," the labor unions, and the government. The latter have the right to cast both a veto against the committee's resolutions and to introduce complaints [file suite]. The Control Committee examines the cost components which influence the prices, the development of profitability, and the investment plans of the companies in the electricity and gas sector and, among other things, determines the rate policy to be pursued. The rule for fixing sales prices is this: They are to be so set that all costs of the EVU will be covered and so that capital service will be guaranteed. Sales prices are tied to an index clause which is based on the development of the most important cost factors for prices in order thus to achieve the required profits. The indexes are reviewed each month by a committee.

An agreement between the state and the three private companies (Ebes, Intercom, Unerg) includes the obligation of the Belgian government to give the EVU--without any subsidies from any public agencies--free access to the domestic and international capital markets.

This kind of free access depends on the orderly finances of all companies--both the public and mixed as well as the private ones--in the electric power and gas industry. The gas industry is based on the coverage of all costs incurred by the companies due to the corresponding adjustment of sales prices.

The agreement specifically lists the following cost items whose coverage must be guaranteed:

Fuel costs,

Nuclear fuel cycle costs,

Business management costs, costs arising prior to the start of operation, as well as current operating costs,

Depreciation and retirements,

Reserves for necessary obligations and miscellaneous contingencies,

Financing costs,

Capital servicing for in-house capital to an extent enabling the companies to take up new funds [borrow] at any time,

Taxes and legal contributions.

In addition to an earlier agreement in this field, the current agreement was signed in January 1981 for a duration of 20 years. It leads to an information exchange between the private EVU and the government.

In order to accommodate the wish of the Belgian government and to confirm confidence in the Belgian economy, the Belgian EVU agreed to offer lower rates to industry.

The rate schedule was so drafted that the rates are computed as of 1 January 1981 as if the two nuclear power plants at Doel 3 and Tihange 2 (adding up to 1,800 Mw) were already in operation. But this will not be the case until the end of 1982. Because of the resultant lower average fuel costs, industry can also use the lower rates. Besides, the government has made electric price fixing more transparent and more realistic. It follows from this that the relatively high price for cutbacks and financial burdens on the nuclear power plants since 1 January 1981 must be included in agreement with the reality of the rate schedules.

From data soon to be obtained from Unipede on a rate comparison with neighboring countries surrounding Belgium, the price per kilowatt-hour for big industrial consumers in Belgium will be the second-lowest.

#### Future Outlook

Like all Western European countries, Belgium is also waiting for an economic upswing. As part of government regulations, the decline in rates can contribute to industrial stimulation through increased nuclear energy supply. Although efficient energy use has somewhat attenuated the energy problem, it was found that the share of electric energy and of all energy consumption in Belgium has been increasing over the past 20 years.

In production and consumption, electricity is the form of energy which grows most. In production, waste products, such as blast furnace gas, coal waste, refinery gas, and heavy petroleum products are being used to a maximum extent in Belgium. The price-reducing elements however are coal and above all nuclear energy. This latter factor enables the country to make sure that electricity prices will rise less fast than the prices of other forms of energy.

Present-day political developments in Belgium also have a favorable effect on the country's economy in general. Since the January 1981 agreement, the electric power sector has also gotten a span of 20 years which provides sufficient safety for big investments. The clear agreement of the government power producers with the Belgian government is the result of long and difficult negotiations which the private sector has been conducting with the parties involved since 1972. The political climate therefore is favorable for long-term investments.

The Belgian parliament will carry out an energy debate and will decide on the country's future energy policy. Whatever happens, parliament will not be able to avoid the reality of Belgium's energy dependence. We can clearly see that the expansion of primary energy use is a decision all by itself. Geographically and in terms of the type of fuels, it is necessary to diversify these operations. The stabilizing influence of nuclear energy on electric power rates will certainly remain a decisive necessity for the country's economy.

At this time, 25 percent of Belgium's electricity are obtained from nuclear energy. The operation of the two nuclear power plants at Doel 3 and Tihange 2 will raise the share of Belgian electric power production to about 45 percent and if the Doel 4 and Tihange 3 units do go into operation in 1985, then 60 percent of the electric power volume will come from nuclear energy. The electricity and gas control committee has assumed an average electric power growth rate of 2.5 percent as being realistic and came up with a favorable evaluation for the construction of a new, additional nuclear power plant of 1,300 Mw which is to go into operation in 1992.

The Belgian EVU will in the future continually modernize their production and transportation installations. This is the best basis for supplying the country with uninterrupted electric power with utmost safety and at the lowest possible prices. The private EVU in this way hold the balance between the concerns of the Belgian Community as a whole, their customers, their personnel, and their stockholders, all of whom have well-founded expectations.

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## DEVELOPMENT OF ELECTRICITY COST, PRICE

Munich ENERGIEWIRTSCHAFTLICHE TAGESFRAGEN in German No 8 1982 pp 633-640

[Article by Dr-Engr Guenther Klaette, Essen: "Electric Power Industry Cost and Price Development"]

[Excerpts] What is the effect of energy policy on the cost situation and the competitive capability of the German economy? Germany's overall economic development lastingly impaired not only economic growth, employment, and price development but moreover has upset the balance of all national economic balance sheets: Public budgets, performance record, retirement funds, etc. In this situation, energy policy must increasingly seek to make sure that the future energy supply will not only be guaranteed quantitatively under acceptable environmental conditions but will also involve reasonable prices and costs. This group of questions was the subject of the hearing conducted on 17 and 18 December 1981 by the German Lower House's "Future Nuclear Energy Policy" investigating committee under the title of "The Competitive Capability of German Industry in Conjunction with Various Energy Supply Structures" within whose context renowned economic research institutes were heard on the first day while famous industrialists were heard on the second day. This hearing impressively showed that the German economy, without the brisk expansion of nuclear energy, will be so disadvantaged in international competition that there would only be little hope for the restoration of a foreign trade balance consolidated in long-range terms. The everyday energy industry issues were covered by four of the industrialists interviewed on the second day. We want to thank them for their contribution.

#### 1. The Most Important Factors Determining Power Costs and Power Prices

The total costs of an EVU [electric power supply enterprise] are determined by the performance-dependent and labor-dependent cost components of production, procurement, transmission, and distribution as well as customer-dependent sales costs. Because of the capital-intensive assets needed in the electric power industry, the performance-dependent costs play a special role. We can

primarily blame the tremendous rise in plant costs for new hard coal and nuclear power plants as well as the fuel price rises since 1973 for the electric power price rises in recent years.

The development of average earnings or average costs in public power supply until the beginning of the 1970's reveals a slightly declining tendency. Between 1973 and 1980, the average earnings of public power supply however increased considerably. The reasons are to be found primarily in the increase in plant costs and in charge material costs.

The above-proportional rise in costs in the power plant sector produced a situation in which the share of these costs out of the total costs of public power supply rose from 55 percent in 1969 to 65 percent in 1980. The individual reasons for this rise in costs on the production side can be listed as follows:

The doubling of the licensing and construction times to about 5 years for hard-coal power plants and to about 10 years for nuclear power plants;

The above-average material and wage cost increases connected with the production and assembly of new power plants;

The stricter requirements for the reduction of emissions from hard-coal power plants;

The increased safety-engineering requirements for nuclear power plants, as well as

The idling and delays due to administrative directives and law suits in administrative courts.

The performance capacity of the supply enterprises must be preserved for the sake of securing the supply volume as such. This is possible only if power rates can be guided by the costs that are necessary in terms of enterprise management. Power rate calculation based on average costs, considering a suitable in-house capital interest situation, will facilitate a strong enterprise management foundation. In this calculation, one must consider the cost structure of the supply enterprises, such as it emerges from the fact that a power supply enterprise provides not only one but two economic services:

(a) The supply of electric work in the context of the constantly required delivery capacity and

(b) The production and distribution of electric work at the very moment and in the volume required by the customer.

This is why, in billing, we must consider not only the electrical work procured by the customer but also the level and the point in time of the production, transmission, and distribution capacities used. The use of the distribution installations depends on the voltage level at which the customers take the current out of the grid. Special industrial customers as a rule are supplied from the high-voltage or medium-voltage grid while the rate schedule

subscriber in the household sector and in small enterprises will get power from the low-voltage grid. This fact is taken into account in a cost-oriented power rate calculation with a breakdown of prices into performance-dependent and work-dependent components in that industrial special contract customers are charged a correspondingly lower fixed-cost share. Comparing the development of the average earnings for rate-schedule and special contract customers (Figure 1 [not included]) we are struck by the fact that the price trends in both customer groups since 1970 have been running almost parallel and that the price interval of about 5 Pf/kwh [Pfennigs per kilowatt-hour] changed hardly at all. This meant that the percentage rise in power rates is higher for the special contract customers. The cause of this differing power rate rise however has nothing to do with a conscious effort to disadvantage the industrial customers, for example, through a partly restrictive licensing practice for the rate-schedule customer rates but rather springs necessarily from the share of power generation costs which are higher for the special contract customers and which as we know rose in an above-proportional fashion.

The average costs and, in the case of the two-part power rate schedule, also the average prices, decline as the utilization of the capacity demanded by the customers increases, in other words, along with rising power consumption. This natural property inherent in a rate schedule with a fixed and a variable price component is in public often cited as a reason why the average price, which declines in conjunction with the so-called base rate schedules, is an incentive for additional consumption which is undesirable in energy policy terms. This gives the layman the impression that the power bill would turn out to be smaller as power consumption goes up. It emerges from a comparison of average rates and the total power costs connected with the base rate schedule as a function of the electric work consumed (Figure 2 [not included]) that the power bill, in spite of declining average rates, will go up as more power is consumed. We can find parallels to this in the use of the telephone or a taxi. Here again, nobody would think that a reduction in the average cost per conversation unit might be brought about by using the telephone as much as possible although in absolute terms the telephone bill would of course go up. A person taking a taxi will not travel more miles because the average mileage rate decreases as the distance traveled increases--simply because that also brings up the cost of the entire trip.

Apart from excess consumption, which is undesirable in energy policy terms, it is under certain conditions economically meaningful to provide an incentive for higher plant utilization or additional demand by granting prices in keeping with the competitive situation. The grant of power rates in keeping with competitive situations however is possible only so long as this is permitted by the cost situation and without the special rates granted a particular group of customers redounding to the detriment of other customer groups. This prerequisite for example no longer applies in the case of the special rates for process heat current introduced during the early 1960's so that those rates must be eliminated. The elimination of special rates encountered criticism among the industrial enterprises involved and requires more justification. As we can see from Figure 3 [not included], the "growing" costs of new power plants were lower until the beginning of the 1970's than the average costs at that time because, due to the switch to the particular larger power plant

units, the specific plant costs were always reduced. To use the advantages of the cost decline and of better plant utilization, an additional power sale was at that time promoted on the process heat sector through special, market-oriented rates.

Here is the idea behind that: Basically, every customer was to pay the standard rate based on the average cost. But if a customer, because of competing heat rates, was only able to figure a lower power rate, that is, lower than the standard power, then it was necessary to determine whether and, if yes, to what an extent this potential rate was above the growing costs brought about by the customer's power supply. So long as this was applicable, this newly recruited customer contributed to meeting the general costs and that was also to the advantage of the permanent customers.

Because of the enormous cost rises which took place especially since 1973, the additional cost of new plants today however are above the average cost. Accordingly, delivering [power] below average costs would today in each case lead to a subsidy of the particular individual customer by the general public. This is why--for reasons of cost fairness and the equal treatment obligation--thermal power rates cannot be offered in a new fashion and this is why old thermal power rate contracts cannot be extended.

A five-year transition period was provided to facilitate the transition to the new rate regulation for the old thermal power customers. Compared to the price rises in competitive forms of energy--such as petroleum, natural gas, and hard coal--which took place in recent years, the rise in thermal power rates, even considering full rate adaptation, nevertheless are definitely lower so that the conversions to thermal power, undertaken by industry very recently, do not represent any mistaken investments.

## 2. Future Development of Energy and Power Rates

The rate development of the various energy sources since 1969 is illustrated in Figure 4 [not included] and shows that prices have changed drastically in terms of their ratios until the beginning of 1982:

Light heating oil, about 6 times; natural gas, about 3.5 times; hard coal about 3 times; and electric power, about 2 times.

These relatively large rate jumps, for example, of energy sources competing on the heat market with power, brought about a situation in which the competitive position of electric power improved, compared to the position of these energy sources.

It is very difficult to predict how energy rates will develop during the 1980's. But it is certain that the currently slight decline in oil prices will not continue in medium-range terms and that we must expect higher oil prices by the end of the decade. To be sure, one cannot--as do some futurologists--start with the idea that oil prices during the eighties will remain stable in relative terms. The rather shaky political situation--not only in the Near East--does not appear to offer any guarantee for this assumption.

We can however say already today with a high degree of probability that power rates will continue to rise roughly along the trend of the last several years. The following measures can primarily contribute to holding the power rate rise down:

Improvement in power plant structure through additional construction of low-cost nuclear power plants in the basic load range;

Standardization of construction methods and styles for nuclear power plants and tightening-up of licensing procedures;

Use of power-saving application techniques to reduce the power requirements growth rate.

The optimum makeup of the power plant inventory, considering present-day investments and fuel costs, requires a share of the base load power plant capacity out of the total installed power plant capacity amounting to about 50 percent and a share of the work, generated in the base load power plants, amounting to 65-70 percent. If we look at the power plant structure in the public power supply system in the FRG, we find that the share of base load power plant capacity currently is only about 35 percent and that there is accordingly a shortage of base load power plant capacity amounting to more than 10,000 Mw. On the other hand, the public power supply system currently has an available capacity of 3,000 Mw (Figure 5 [not included]). This available output however primarily consists of oil and gas power plants which are used primarily in the medium and peak-load ranges. Because of this currently existing available capacity, we should not draw the mistaken conclusion that we can for the time being forget about building additional power plants.

Apart from the additional construction or replacement investments for hard coal power plants for the medium-load range required for the fulfillment of the "century contract," there will be no requirement for any further medium-load power plant so long as the excess capacities are present in this range. The existing shortage in the base load range--and, if the power requirement should grow in the future, also the need for additional power plant capacity--therefore can most economically be covered by the priority construction of additional nuclear power plants.

The relative cost attenuation springing from lower power requirement growth rates is primarily to be traced back to the previously mentioned fact that the "additional" costs of new power plants are above the average costs of existing ones. The average costs deriving from the old and the new power plants however will go up all the more, the greater the required annual additional capacity will be for new and above-average expensive power plants.

In short-range terms, the above-mentioned measures however will not be able to contribute to holding the electric power rate rise down. If anything, there is a danger that the costs of power generation might be further increased through political demands, such as demands for the improvement for the quality of the environment. The implementation of the desire for the equipment of hard-coal power plants with flue-gas desulfuration systems will unavoidably lead to additional electric power rate rises. The investments for accessories

to be installed in all existing power plants with a capacity of 300 Mw and more will presumably come to about DM6 billion. In addition, we have higher operating costs which result from the higher specific fuel consumption required for the operation of the flue-gas desulfuration systems. Experts assume that the installation of flue-gas desulfuration systems will push electric power generation costs in hard-coal power plants up by about 2Pf/kwh. Additional cost burdens would result if the reduction in the emission boundary values--as demanded in the new draft for the Technical Guidelines--should be approved by the legislative branch. This tightening-up of boundary values would cause an additional rise in power generation costs amounting to between 2 and 3 Pf/kwh.

If these demands for improved environmental protection are not simultaneously implemented in coal-fired power plants abroad, this will result in additional competitive disadvantages for West Germany's industry which makes intensive use of electric power. This is why we must then look at the urgent recommendation here to the effect that environment-policy as well as energy-policy and economic-policy viewpoints be carefully weighed against each other.

In this connection it must be expressly emphasized that the electric power industry fully supports measures aimed at effective environmental protection. The funds available for this purpose in the national economy are limited but should be used where they can be most effective. Specially, this means that it is inefficient to try to reduce the already low and, in the future, declining influence of power plants on air pollution through additional measures that require capital and energy in large amounts and, on the other hand, not to demand that those mostly responsible for air pollution, such as transportation, households, and small consumers, take corresponding measures likewise. Regardless of these viewpoints, the RWE [Rhine-Westphalian Electricity Works, Inc] declared itself ready to close down a part of its old brown-coal power plants and to replace them with new, environmentally safer plants. At the same time, the RWE will equip a considerable part of the existing brown-coal power plants with desulfuration systems by 1987. The measures mentioned will require investments of more than DM5 billion.

A theoretical possibility for the reduction of the power cost or energy cost rise basically consists in the use of the power-heat coupling system with the uncoupling of heat for space heating and process heating purposes. Both district heating supply enterprises and industrial enterprises can avail themselves of these possibilities with the help of the use of smaller thermal power plants. Of course, the industrial in-house producers above all face the question as to whether it is more economical to generate process heat and the simultaneously obtained electric power in their own thermal power plants or merely to produce the process heat in their own heating plants and to get the power from the pertinent EVU on the outside. The answer to this question cannot be given in general terms but must be examined from one case to the next and calls for the consideration of various factors, such as the time element involved in the process heat and power requirement, the possibility for supplying reserves for process heat, and for electric power, as well as the investment and fuel costs for the thermal power plants to be newly erected.

After the conclusion of the agreement among associations concerning power industry cooperation between the public electric power industry and the industrial power industry dated 1 August 1977, there are, in the opinion of the VIK [Association of Industrial Power Plants], no "economically relevant and contractual obstacles" in the way of an expansion of industrial in-house production. If nevertheless new industrial power plants were not added to any major extent in recent years, this is primarily due to the absence of economical operation; here it remains to be seen whether this is due primarily to the relatively low capital return times which have been assumed primarily for investment decisions in industry.

The supply enterprises face a problem which is similar in terms of costs to the problem faced by industrial in-house producers if they want to use the possibilities of power-heat coupling for district heat supply. A cost reduction on the power generation side is possible only if heat, as a coupling product, can be sold at rates which permit the balancing of the additional costs connected with power generation in small thermal plants and if the high expenditures for the construction of new district heating centers can be covered. The realities in district heat supply however indicate that we cannot figure on that right now.

### 3. Effects of Energy Rates on West German Economy's International Competitiveness

The international competitive capability of West German industry on the world trade market is decisively determined by the cost level of the production factors consisting of raw materials, labor, and capital existing in the FRG when compared to other countries. In addition we have the various burdens deriving from currency disparities, legally prescribed environmental protection measures, and the taxation systems. The energy or power price level plays a by no means negligible role in the competitiveness of energy-intensive or power-intensive industry branches. The energy cost share of industry in 1980 averaged a little more than 8 percent related to the net output value. Related to the net value added on industry, the energy cost share comes to about 10 percent. The share of power costs out of the total energy costs average almost 50 percent, that is to say, 4-5 percent of the net output value.

This relatively low average percentage for the power cost share in German industry however must not deceive us into thinking that the power cost share in individual industry branches is far above the average. In power-intensive raw material production efforts, such as they are represented for example by electrolysis and electric heating processes, the power costs amount to as much as 30 percent of the production costs and in some cases even more and this is why these processes are particularly vulnerable to varying power rate developments at home and abroad. If the countries whose industries compete with West German industry offer power such production efforts partly as much as 60 percent cheaper, then we can recognize the danger threatening the competitive capability of the industry branches involved in the FRG as compared to countries with cheap electric power.

The course of the public hearings by the "Future Nuclear Energy Policy" Investigating Commission of the German Lower House in December of last year on the topic of "Competitive Capability of German Industry in Conjunction with Various Energy Supply Structures" showed that there are differing views as to the influence of the energy rate level on international competitiveness. While most representatives of the research institutes and colleges consider the influence of competition from the energy or electric power rate level in comparison to the other magnitudes determining competitive capability to be rather low, the representatives of industry on the other hand assign considerably greater significance to the energy rate level. This applies particularly to energy-intensive or power-intensive industry branches, which at the same time are involved in a heavily intertwined international economic operation, such as, for example, the iron industry, the nonferrous metals industry, the chemical industry, the glass industry, the wood processing industry, as well as the mechanical wood pulp, cellulose, paper, and cardboard industry.

This differing evaluation of the energy rate level would seem to be less due to a deficit in terms of theory in industry but rather more to a deficit in terms of practice on the science side. The German export industry must at all times cope not only with competitive disadvantages connected with energy rates but also with raw material and wage costs. The sum total of these disadvantages cannot in the long run be made up by the partly still existing advantages in the technological field. By the way, the competitive capability of products is decided already by marginal price differences which may very well arise from differing energy prices although the costs of the other production factors may be otherwise the same.

There is agreement between industry and science on the question to the effect that subsidizing energy rates in the long run leads to mismanagement and that necessary adaptation processes are thus delayed. But this adjustment cannot boil down to forcing power-intensive enterprises to move out into countries with cheap power; instead, everything must be done to approach the makeup of the power plant inventory to the optimum as much as possible and in this way to reduce the partly existing power rate differences. Additional adaptation possibilities can be implemented on the user side through the development and employment of energy-saving production methods and plants coupled with a corresponding capital expenditure.

The decline in primary energy consumption and the further rise in power consumption in recent years in the FRG enable us to conclude that energy is being replaced or saved increasingly through the use of electric power. This applies particularly to industry as a consumer sector. If this development is continued on an international scale, then power use in industry and thus also power costs will assume rising significance. This realization particularly in France led to consistent practical action in that the country which will drastically reduce the share of fossil primary energy sources in power generation in favor of lower-cost nuclear energy already by 1990 and France will thus be able to limit the cost risk connected with new price rises in case of fossil energy sources.

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## LABOR MINISTER ON SPD-TRADE UNION RELATIONS

Hamburg DER SPIEGEL in German 23 Aug 81 pp 21-24

[Interview with Heinz Westphal, minister for labor]

[Text] SPIEGEL: The labor unions have proclaimed massive resistance to the government's budget resolutions for 1983. Deputy OeTV [Public Service, Transportation and Communication (labor union)] chairman Siegfried Merten comments that many of the decisions made by the social liberals could have emerged only from "rotted" brains. Is the traditional alliance between Social Democracy and labor unions in danger?

Westphal: I have gathered an extremely differentiated image of trade union attitudes. They do include words such as spoken by Siegfried Merten who had earlier accustomed me to rather more pleasant behavior. Still, on the other hand you have the outstandingly constructive-critical attitude on Ernst Breit, new DGB chairman.

SPIEGEL: In that case Herr Breit must have changed his opinions rather quickly. He certainly spoke in quite a different tone to the DBG federal committee and strongly advocated a hostile reaction to the economy budget. The DGB rejected the Cabinet resolutions as "wrong in terms of employment as well as socially unbalanced."

Westphal: Of course the labor union chairman reacted very strongly. However, his verdict "wrong in terms of employment" is incorrect. At most one might say inadequate in terms of employment. On the other hand we must appreciate that, from their standpoint, employees may well conclude: Socially unbalanced. As members of a coalition that is a cross we have to bear.

SPIEGEL: If these are the sentiments of the labor minister, we can certainly not expect the joyous acclaim of the trade unions.

Westphal: Despite its criticism, the DGB is quite aware that we are doing something for the construction business and against juvenile unemployment. It also appreciates that the Social Democrats devote their best efforts to social issues.

SPIEGEL: The same Ernst Breit whom you just praised so highly, did after all call upon the deputies of all fractions to destroy the fragile coalition compromise. SPD deputies Dieter Spoeri and Hermann Scheer are already asking about the "actual scope" for changes. Can the coalition withstand amendments?

Westphal: As you know, most social democrats are at one and the same time committed party members and labor unionists. Both are very constructively seeking the ways and means to defuse the current conflict...

SPIEGEL: But the coalition...

Westphal: ...As for the coalition: The government has adopted its resolutions, and everyone can see that they are based on two very different coalition partners. Herr Genscher is quite correct to emphasize that these are two very different parties indeed.

SPIEGEL: The chancellor appointed you to the Cabinet as something like a "social conscience." The idea must have been this--if Westphal goes along, the trade unions and the fraction may well be expected to do the same. Is it possible that you yielded too much?

Westphal: You are doing me honor indeed. The compromise, accepted by me also, certainly compels a social democrat "to eat mud."

SPIEGEL: As regards the dish prepared by the coalition, the labor unions object to, among other points, the proposal for patient copayments to hospitals. They do not acknowledge the necessity of this plan. The FDP, on the other hand, lauded precisely this item as the beginning of a policy of individual involvement. Currently the labor unions are working on each deputy. Do SPD parliamentarians have another choice than to risk either the continued existence of the coalition or a break with the unions?

Westphal: The alternative is not a break but--excuse me: You are asking me questions that need be answered by deputies who are not government ministers. The government has had its say, and I explained how little freedom of movement we have because we are dealing here with a compromise hammered out in long lasting negotiations. I will, however, do nothing to deprive my parliamentary colleagues in any way of their very own responsibility.

SPIEGEL: The SPD fraction is bound to make some proposals for accepting this or that labor union suggestion. When that happens...

Westphal: ...it will have a successful outcome provided the coalition partner agrees.

SPIEGEL: As individual involvement in the form of copayments for hospital costs represents a vital part of the coalition compromise as far as Hans-Dietrich Genscher is concerned, this seems an untouchable item?

Westphal: I have had my say.

SPIEGEL: Let us have another try...

Westphal: I beg your pardon. You are talking to a member of a coalition Cabinet that has approved a compromise despite some serious reservations. As per our democratic system, it is now up to parliament, and I will not anticipate this.

SPIEGEL: After all, the compromise may be dismantled by somebody else also. The opposition intends to torpedo in the upper house all those sections that the DGB has explicitly welcomed as an attempt to obtain a social balance.

Westphal: This will initially have the result of dooming to failure Herr Kohl's and company's embarrassing efforts to embrace the labor unions.

SPIEGEL: You are still not out of the woods. Trade union leaders do not expect SPD and FDP simply to shrug off the social element, just because the Union Laender wish to spare wealthy couples and well-heeled tax savers.

Westphal: Such behavior by the opposition would demonstrate to the German people, not only labor unionists, the sheer hypocrisy involved for the CDU/CSU Bundestag fraction chairman to curry the favor of the DGB, although he plans--as anybody can find out--to apply cuts to the social network such as make the corrections acknowledged as inevitable by the SPD and FDP appear slight and uncomplicated.

SPIEGEL: We have every understanding for your annoyance with the opposition's attempt to snuggle up to your traditional allies. Are you going to leave it at that and do nothing about it?

Westphal: In my considered opinion it is imperative at this time to persuade those in the Union who are not indifferent to social concerns that tax concessions must be curtailed, and that they cannot--in fairness--refuse their consent. Moreover, the cancellation of tax concessions for higher earners will serve to improve the revenues of the Union countries which often complain that the Federal Government abandons them to their financial hardships.

SPIEGEL: Breit, IG [industrial labor union] Metal chief Loderer and other trade union leaders are not only disgruntled because employees are being soaked, but because they are asked to assume the main burden of the budget cuts. Of DM 9 billions in cuts and extra revenues, DM 8 billion are to come from the pockets of employees. No wonder Loderer comments that "this is not a socially just distribution," and that the government must expect "us massively to attack it."

Westphal: I have always advocated that those with fat wallets should be called upon first. However, I have also said quite frankly that it was a fallacy to believe that corrections in social services could be avoided. For better or worse it is a fact that large amounts are made up by many small

amounts from small contributors. Our problems cannot be solved merely by making the millionaires pay. On the other hand, their share of the burden must be appreciably greater than that carried by the small man.

This principle--and here my conscience is a great deal easier than in regard to the 1982 operation--is illustrated when we look at the total of the six canceled or curtailed tax concessions. This is how we should consider the ratio of DM8 to DM1.5 billion. It is unfortunately not possible for the relatively small number of rich people to assume half of the total burden. That is a matter of figures, not of justice.

SPIEGEL: It is surprising, all the same, that labor unions entirely fail to understand this arithmetic.

Westphal: That is why I am always asking my colleagues to apply more sophistication to the clumsy argument DM8 billion to DM1.5 billion, and to cultivate the appreciation that this ratio per se has nothing to do with social balance but rather with the comparative figures of rich and not so rich people.

Incidentally, as far as I am concerned, the DM1.5 billion cut in tax concessions could well be more. However, in addition to having to fight the FDP over this, there would be another and currently unmanageable obstacle: The Union countries in the Bundesrat are bound to block any attempt more to involve the wealthy by changes in the tax legislation.

SPIEGEL: The CDU gloatingly cited to Labor Minister Westphal the comment by deputy Westphal made in parliament after the budget cuts of last year: "Thus far and no farther."

Westphal: Quite so.

SPIEGEL: But now things have gone further, after all, and Heinz Westphal, as minister, accepts greater burdens for employees, such as the cuts in pension claims of unemployed people. Has the top of the flagstaff now been climbed for good?

Westphal: Why should the world come to an end at the tip of a flagstaff?

SPIEGEL: Does that mean you would not repeat such a statement?

Westphal: There is no good reason for speculating about future legislative measures, that might affect employees. If it should be a question of corrections to create greater social justice, I see no reason to exclude such decision.

SPIEGEL: In simple language: Future cuts only at the expense of those with higher earnings?

Westphal: Why should everything be predicted in simple language for all eternity? I do not contradict you when you quote me as having said loud and

in a certain situation: Thus far and no farther. After that, unfortunately and as a consequence of unforeseeable events, another situation arose when I had to assume my share of responsibility for new and hard decisions. Evidently there is no imaginable situation when all questions can be answered immediately.

SPIEGEL: If economic growth should turn out lower than the government expects, may the new budget gaps be closed by new borrowing, or will the social minister be challenged yet again?

Westphal: If business flattens, if--for that reason alone--tax revenues are lower and more people are unable to find jobs, it makes political and economic sense to cope with the problems by additional borrowing. We will have to discuss that at the end of the year--as usual before the conclusion of the budget negotiations. By that time it will also be easier to assess the trends for 1983, the year we have to provide for.

SPIEGEL: Your colleague, Graf Lambsdorff, has a different viewpoint. He intends at least to make up for the extra cost of unemployment relief by limiting social services.

Westphal: I do not believe that you are interpreting him correctly. Where is he supposed to want to make these cuts?

SPIEGEL: Lambsdorff is always apt to think of something that you do not like.

Westphal: Maybe so. Still, the economics minister's common sense is bound to tell him that rigorous cuts may risk a speed-up in the decline of business. I am sure that Lambsdorff does not wish to see that happen.

SPIEGEL: Even your comrade, SPD executive secretary Peter Glotz, suddenly discovered that social security pension insurance, health care and other public services should have been adjusted to lower growth rates years ago. Do you share the view that social policies are unable to stand up to present realities?

Westphal: I persist in being one of those who take pride in what we have created in this country in recent years, especially in the social sphere. Those who claim that "we" have lived above our means should for once come out and say who is supposed to be "we"? Surely not the welfare recipient. More likely the married couple with an income exceeding DM100,000, who profit from tax concessions despite their wealth.

On the other hand the oil price shock, high interest rates, the grown-up issue of the baby boom who need jobs--all these have resulted in a situation where we will be unable for the foreseeable future to afford our earlier achievements. We must put a brake on growth, in fact we must tighten our belts. We have done that, are doing it now, and for the sake of social balance should really have done more at the expense of the well-filled wallets.

SPIEGEL: In an interview by the SPD newspaper VORWAERTS Glotz mentions that he would be prepared to discuss "sensible types of self-help and alternative systems." What does he mean?

Westphal: No social democrat can oppose sensible types of self-help. Nor are there any objections to the term "alternative system." However, help from the greater community, the local agencies or the social insurance may not be delayed for the individual or the family until the child has already fallen into the well. We social democrats know very well that solidarity, in other words mutual assistance, must have priority as against an unfair insistence on self-help. I suppose that is how Glotz should be interpreted.

SPIEGEL: You admit that retrenchment is necessary. You have called on pensioners for sacrifices also. Now the coalition is financing part of the cost of unemployment by the billions taken away from the pension insurance fund. That is not one of the least considerations why the labor unions fear for the integrity of old age pensions.

Westphal: In past years Herbert Ehrenberg has consolidated the pension insurance fund. As a consequence we have a substantial cushion even now. The financial burdens and reliefs planned for the social security pension system are necessary and responsible, given the current economic conditions.

SPIEGEL: Another consequence is that pensioners will have to begin making a contribution to the health insurance system in 1983, something that--according to the initial government statement--they should not have had to do until 1985. Is the government breaking its promise?

Westphal: A changed situation has required changed responses. Pensions are increasing nevertheless, and quite reasonably so, just about keeping pace with the earnings of employees.

SPIEGEL: The government statement had also promised women that at least 1 year of child care would be counted toward their social security pension...

Westphal: ...And then came the sentence indicating the problems of finance.

SPIEGEL: Helmut Schmidt said: "Envisaged is the inclusion of 1 year's child care." His indication that the "quantitative fulfillment of these principles" could not proceed until (the now long past and unused) fall of 1981 certainly does not nullify the promise in principle.

Westphal: Involved here are more than DM4.5 billion from taxes that we do not have. In every household the father and the mother intend to do good things and would dearly like to carry out these plans. And if it turns out that they cannot manage it all or even part, because money is lacking due to unforeseen circumstances, they simply have to put off their plans for a bit.

SPIEGEL: So the baby year is dead for the time being?

Westphal: I would not put it quite so baldly. It is a good plan to credit a mother with 1 year's care for her children when the Federal Government comes

to calculate her pension. Even more important is doing so for mothers who have reared their children in wartime and the postwar years. Though just now this cannot be done from tax revenues, we are not stopping our planning for a single moment--how to achieve our goal at least in part or by another approach.

SPIEGEL: Pensioners are called on for earlier contributions, the baby year is denied for the time being--are you not afraid that the opposition will portray you as pension cheats--as it already did in 1976?

Westphal: The accusation was wrong even then. It should rather be turned round against the opposition: In 1972 it enacted pension expenditures (with an accidental majority) that could not be paid for. We had to subsequently rescind them. Finally--in the year of the alleged pension swindle, pensions actually increased by 9.9 percent.

SPIEGEL: Because the original government plans then came to grief on the resistance of the fraction. It is surely not a healthy platform for the Hesse elections that the SPD is now compelled to move off former pension promises, and that the unemployment figures will continue to climb in the fall, while the labor unions demonstrate against the social-liberals. Will the labor minister have to yield to union pressure, will there be advances toward an employment program or for cuts in working hours?

Westphal: The fight against unemployment is bound to be the most important concern for a social democrat, even without union pressure. That is demonstrated by all the measures we have so far adopted. Related to a 3-year period, we have made available some DM40 billion for creating and safeguarding jobs, in other words for employment. If you wish to refer to a comparable dimension, that is about double the amount of the 3-year program of "investment in the future," a program we consider to have been very successful.

SPIEGEL: That program, though, was an additional program, while the proportion of investments in the budgets of the past 3 years has declined despite the billions you mentioned.

Westphal: No. I mean the 3 years from 1982 on. You must also look to happenings in the taxation sphere as a consequence of which revenues have declined. These losses of revenue--for example for investment subsidies, depreciation concessions and housing construction aid--must be added to the total.

SPIEGEL: The reminder of past glories will not prevent the labor unions from calling for greater efforts to combat unemployment. Your predecessor Herbert Ehrenberg blows the same horn and appeals to your party's Munich resolutions.

Westphal: I have proved to you that we have initiated substantive schemes. Nobody should obstruct us in our struggle against unemployment in steadily more difficult conditions. We do not merely write resolutions to the effect that we want more jobs, we make every effort to carry out these

resolutions. Herr Genscher's attempt with the aid of his Hesse Dregge friends to badmouth our Munich resolutions was neither factually warranted nor tactically adept.

SPIEGEL: Herr Westphal, you are reputed a hard headed negotiator. Would life be easier or harder for the social-liberal government if you were DGB chairman?

Westphal: I think the trade unions chose an excellent chairman in Ernst Breit.

SPIEGEL: Herr Westphal, we thank you for this interview.

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ECONOMIC

FRANCE

AGRICULTURE MINISTER ON AMERICAN ATTITUDE TOWARDS EEC POLICY

Paris LE NOUVEL ECONOMISTE in French 26 Jul 82 p 25

[Interview with Edith Cresson, Minister of Agriculture, date and place not specified]

[Text] LE NOUVEL ECONOMISTE: Mr. Block has denounced EEC payments on cereal and cereal products and has threatened Europe with a subsidy war if it does not follow world prices. What do you think of this?

Edith Cresson: American agriculture is currently undergoing a severe crisis because of bank rates that are too high for an industry with a low rate of profit and a long asset turnover rate. In addition, the Reagan administration's disengagement policy has resulted in a refusal by the government to compensate agriculture with subsidies for the consequences of the administration's monetary policy. It is therefore looking for a way to turn the demands of its farmers toward a foreign scapegoat: EEC agricultural policy.

When he criticizes European sales on the world market, Block "forgets" that Europe is structurally deficient in agricultural products, because it needs an additional 10 million hectares to feed its people and that this deficiency, which increased during the last 5 years, has now reached \$20 billion. At the same time, the American surplus has doubled, to \$25 billion. These two figures obviously show who is upsetting the world market by inconsiderately increasing its agricultural exports.

LE NOUVEL ECONOMISTE: America wants to continue to export its soybeans and corn gluten feed to Europe. French cereal producers protest, but businessmen in livestock feeding explain that these imports are necessary to develop breeding. What is your position?

Edith Cresson: I understand the desire of our livestock industry to reduce its production costs, but I think that the statement by the businessmen in animal feed, which leads to basing our supplies on imports, is founded on a calculation which is too short-term.

First of all, too great a dependence on the outside is neither politically nor economically allowable. In case of a crisis that would cut them off from these supplies, the Netherlands would be obliged to liquidate the major

portion of its livestock. Unfortunately, certain French areas might be in this situation.

Then, we see that the United States, which has been trying to impose the import of increasing quantities of these products on us, tries at the same time to prevent us from re-exporting equivalent volumes of cereals or animal products resulting from their processing.

Lastly, taking into account the food crisis which is threatening humanity from now to the end of the century, I do not think it is justified either morally or economically to put too much emphasis on livestock, which makes animals competitors with men for food.

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CSO: 3100/864

## EXPORT BUSINESS SUFFERS DUE TO IRAN-IRAQ WAR

Paris L'USINE NOUVELLE in French 22-29 Jul 82 p 26

[Article by Francois Roche: "Iraq: The French Worry"]

[Text] If the conflict between Iran and Iraq turns against Baghdad, France's economic and industrial position in this country will suffer. Especially since this is one of our primary markets in this region.

New difficulties ahead for Saddam Hussein, Iraqi chief of state. After 2 years of conflict with Iran, Iraq was on the verge of catching its breath and continuing to implement its ambitious development plan. It was time. Upset by the war, the production of crude oil has dropped: 168 million tons in 1979, but only 40 million in 1981, which has caused a loss in receipts estimated at \$30 billion. By digging into its financial surpluses (they apparently fall from \$35 billion in 1980 to \$11 billion at the end of last year) and thanks to the assistance of Saudi Arabia and Kuwait, Iraq was able, until these last few months, to more or less continue the basic elements of its development. The resurgence of the war with Iran could jeopardize everything. An indirect consequence would be that French firms are liable to suffer.

The year 1981 was in fact a good one for French-Iraqi trade. Our exports increased by 73.2 percent, reaching almost 8 billion francs. (For comparison's sake, we exported 10 billion francs worth of goods to Saudi Arabia.) In addition, following the decrease in our volume of purchases of Iraqi crude (2.6 million tons in 1981), compared to 23.8 million tons in 1980), our trade balance with Iraq is heavily surplus (almost 4 million francs). This was France's third largest trade surplus in 1981, after that with Switzerland (9.8 billion) and Egypt (5.3 billion).

## Repercussions as Far as Valenciennes and Nancy

The increase in our shipments of military equipment is one explanation for these good figures. But the "civil" side is not so bad either. Projected deals amount to about 30 billion francs and a certain number of French firms have obtained important contracts. Bouygues is building 2,000 housing units in Baghdad; Merlin-Gerin is managing the construction of 48 electrical

substations and last March obtained a new 200 million franc contract for the electrical equipment for 5 cement plants; Alsthom-Atlantique, CFEM [French Company for Metal Businesses], Lafarge-Coppes, Thomson-CSF and Dumez also have contracts for large projects. Down to a small-sized firm of 90, Lynx-Alarm, which has just won a 3 million franc contract to install an electronic protection system at the new Baghdad airport.

There are also two troubled French regions for which Iraq is almost a life buoy: the North and Lorraine. The North because ANF-Industries obtained a contract of 786 million francs to build 236 cars for the Iraqi railroad. Lorraine because the Pont-a-Mousson factory of the firm SGPM [Saint-Gobain-Pout-a-Mousson], which employs 2,300, is assured of a management plan of over 2 years thanks to a 5 billion franc contract involving modernizing and expanding the Baghdad water supply system. This involves a gigantic work site, managed by Sobeia, another subsidiary of the Saint-Gobain firm, where 650 expatriate French work.

Stopping these projects would undoubtedly inflict a rough blow to these French firms, who know that such large-scale projects are few and far between and that they are subject to bitter competition. Already considered an at-risk market (Coface's [French Insurance Company for Foreign Trade], liability is almost 30 billion francs), Iraq is a sizable problem for France. Paris is backing Baghdad in the war with Iran. If the conflict goes badly with Iraq, the repercussions could be felt as far as Valenciennes and Nancy. Without mentioning the shock waves that would then wash all of the Persian Gulf.

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CSO: 3100/864

## SCANDINAVIAN MARKET EYED IN VIEW OF INCREASING DEFICIT

Paris L'USINE NOUVELLE in French 22-29 Jul 82 p 56

[Article by Patricia Neldam: "The Forgotten Scandinavian Markets"]

[Text] Although French investments throughout the world amounted to \$1 billion in 1981, only \$10 million were in Scandinavia. However, there are examples of successful marketing. Telemecanique, Soffco, Rhone-Poulenc, etc. These should no longer make French businessmen hesitate.

"We have been exporting throughout the world for over 30 years. Now we want to export to Sweden." Strange words for a French businessman anxious to export to Scandinavia, relayed by Erik Veaux, commercial advisor stationed in Stockholm. However, this reaction well illustrates the feeling of French exporters and investors toward Denmark, Sweden, Norway and Finland, four often ignored countries. The figures for French-Scandinavian trade confirm this: from 4 billion francs in 1979, France's deficit toward these countries reached some 9 billion francs in 1981. For the first quarter of 1982 it hit 3 billion francs. "A scandalously increasing deficit," stated Claude Le Gall, general secretary of the CFCE [French Company for Foreign Trade].

In addition, although French investments throughout the world reached \$1 billion in 1981, only 10 million were in Scandinavia. It is true that these countries are difficult to approach because of their small population (24 million inhabitants total) and their advanced technological level. But this has not prevented the Germans from taking 16 percent of the overall market, followed closely by the British (10 percent of the market). The French score is 3.9 percent and they have been overtaken by the Japanese, who were absent from this market just 10 years ago. This well shows the interest Scandinavia could have for French industry.

Especially since some firms have developed interesting strategies that have enabled them to take significant shares of the market, such as Telemecanique and Soffco, who have established marketing operations there, and Rhone-Poulenc, which has sizable industrial facilities in these countries.

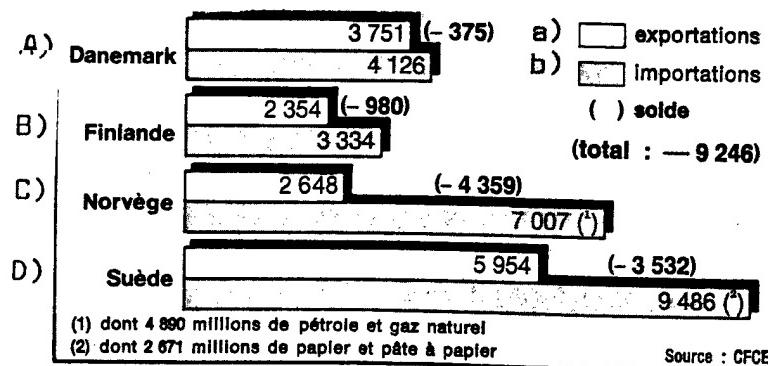
"There is no such thing as a small client, and we have to be everywhere," stated Rene Le Mao, head of Telemecanique's international affairs office. Of the firm's 1,600 sales outlets, over 200 are in Scandinavia. "Our establishment in these countries hinged on Sweden because of its high level of technology and its ability to invest." Today the Swedish subsidiary of Telemecanique (100 employees, including 50 engineers) distributes parts for automatic devices and prefabricated electrical wiring. Its commercial strategy? First, a systematic canvassing by the firm's engineers, who are assisted by local businessmen, and the backup of an intensive advertising campaign. "Then we ensure the irreversibility of our presence by the increase in sales volume through opening subsidiaries on site," explained Rene Le Mao. In Scandinavia, the results have been encouraging. The average growth rate of sales in volume from 1975 to 1982 was over 10 percent. The only problem is that on-site production is impossible because of the high costs in these countries. Nevertheless, the overall figures are positive: "Telemecanique accounted for 20 percent of the local market in 1981.

A second example of successful marketing is Soffco, a French-Finnish firm which distributes products of leading French firms. It has taken significant shares of the market, especially in the area of tower cranes and extruders, of which it has 50 percent of the Finnish market. Georges Demoulin, vice president of the company, fully plays up the references that this proven commercial success in Scandinavia has provided. "To succeed in Scandinavia is to succeed elsewhere," he noted. "From Finland we sell in Sweden and Denmark, but also in the FRG or Australia."

"Rhone-Poulenc, however, has decided to manufacture on the spot. The base for development? Copenhagen, because of its geographic proximity. You have to be on the spot to succeed," explained the chief executive of Rhone-Poulenc Chemistry Denmark, Jean-Claude Lordereau. Today, the firm has industrial plants in three Scandinavian countries. And because of the success encountered in Sweden in particular, Rhone-Poulenc promptly opened a new subsidiary in 1981, Scanlatex (an investment of 60 million Swedish krona) specializing in the production of latex for Swedish paper manufacturers. Thus, transportation costs, which France deems too high, are reduced and this plant enables Rhone-Poulenc to export latex to the USSR and Finland.

Of course, the methods for approaching Scandinavian markets can vary according to the product. For light durable goods, such as machine-tools, one representative in each of these four countries is a good solution. On the other hand, for heavy durable goods, which are purchased infrequently, one representative for the four countries would suffice. However, if the French want to succeed in these countries, the notion of "service" has to be refined: adherence to delivery schedules, because the Scandinavians do not compromise, catalogues written in English, etc. In this respect, why not draw some inspiration from an advertisement recently printed in a Swedish weekly, AFFARSVERDEN: "To invest more in and export more to France," it read, "we must repaint all our products red, white and blue and no longer make ourselves out as Vikings." And if we reverse the statement...

The Share of Oil and Paper  
 France's Deficit Toward Scandinavia  
 (in millions of francs for 1981)



- A) Danemark
- B) Finlande
- C) Norvège
- D) Suède

- a) Exports
- b) Imports

- 1) Includes 4,890 million for oil and natural gas
- 2) Includes 2,671 million for paper and wood pulp

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 CSO: 3100/864

## CREDIT INSTITUTIONS STRIKE NOVEL DEAL IN JAPAN

Paris LE MONDE in French 1-2 Aug 82 p 13

[Article by Christopher Hughes: "Japan Opens Up to French Borrowers"]

[Text] Two French debtors, the Credit Foncier and the Credit Lyonnais, have seized the opportunity to diversify their loans in Japan, since the Ministry of Finance in the empire of the rising sun has decided to internationalize the Tokyo market for economic and political reasons.

The Credit Foncier of France, with the guarantee of the French republic, is going to raise \$180 million in a very original way. The transaction will take place in three parts. The first is a 10-year 15 billion yen bank credit with a 5-year exemption, having an interest rate based on either the basic long-term bank rate in effect in Japan, or the addition of a 1 percent margin to the rates of 3-month Japanese certificates of deposit. The second part is a 10-year bank-based Eurocredit of \$60 million, also with a 5-year exemption; the interest rate will be a .375 percent margin added to the interbank rate offered in London on Eurodollar deposits.

Finally, the third part, of a sum of \$60 million, is an 8-year variable rate Eurobond issue with an interest rate in which a .25 percent margin will be added to the interbank rate offered on Eurodollar deposits held in Singapore (Sibor).

There are many novel aspects to the Credit Foncier's three-part loan. First of all, it is the first time that foreign banks with offices in Japan are going to participate to any great extent alongside Japanese institutions for a credit in yen. It is also the first time that a credit of this type is being designed with an interest rate based on two formulas. Until now, credits in yen were always based on the basic long-term bank rate in Japan, which is currently 8.4 percent per year. By adding the possibility of using the rate on certificates of deposit in yen (which is about 7.10 percent), the Credit Foncier transaction is more flexible. Lastly, it is obviously the credit in yen that enables the borrower to obtain long-term capital in dollars through Eurocredit, capital having conditions which, on Libor's [London Interbank Borrowing Rate] basis, is now almost impossible to get because it is so advantageous for the debtor. Paribas and the Japanese bank Sumitomo, which together drew up the Credit Foncier transaction, manage it jointly.

This loan is also original in that it is an Asian transaction with the emphasis placed on the Japanese market, from which the Credit Lyonnais intends to drain \$200 million. This will be raised through the intermediary of an exclusively Eurobond transaction. The variable rate loan will be for 11 1/2 years, but bearers can request redemption before due date at par at the end of the 8th and 10th years. The interest will be the addition of a .25 percent margin to the Libor rate. Japan and the Far East favorably greeted the Credit Lyonnais issue.

Both Europeans and Asians have shown their interest in the current transaction, which will be quoted both on the Luxembourg and Singapore stock exchanges.

#### Anything Goes

A game that is more like that played in the casinos than one played in accordance with the generally accepted rules in the area of investment is now evolving on the Eurobond market. By simultaneously offering a Euro-issue of bonds and warrants which are not attached to them, the possibilities for making money are such that the fever seizing the market strangely resembles that of the player dear to Dostoyevsky. A \$100 million Euroloan thrown on the market by IBM set off the operators' frenzy. Of 5-year duration, it is offered as a public subscription at a price of 99.75 with a 13.875 percent coupon, giving investors a yield of 13.95 percent per year. Each IBM Eurobond has a nominal value of \$5,000. At the same time, the borrower, who is issuing 100,000 warrants separately, is offering them at a unit price of \$25, based on \$5 per bond. During the 3 coming years, each warrant will allow the bearer to acquire an additional 5-year IBM Eurobond of \$1,000 which will be issued at par with an annual coupon of 13 percent. The warrants were snatched up at \$45 apiece. This success can be easily explained. There is a strong possibility that interest rates will end up falling notably during the next 3 years. So, the warrant that can buy a bond with an annual interest rate of 13 percent up to 1987 is full of promise. Eurobonds of \$5,000 themselves were being sold Friday at 1.5 percent interest.

The Singapore Development Bank (SDB), an institution 48 percent owned by the government of Singapore, has also decided to offer warrants not attached to the \$75 million Euro-issue it opened this week. The 7-year Euroloan is offered at par with an annual coupon of 15.50 percent. At the same time, the SDB issued 75,000 warrants at a unit price of \$36 which are available at the rate of 5 for each \$5,000 Eurobond. During the first 2 years, each warrant can be used to acquire an additional \$1,000 7-year bond which will then be issued at par with an annual coupon of 14.375 percent. The rush for SDB warrants pushed their price to \$43. It then fell back to about \$40 on profit taking.

Since the Eurobond market remains divided as to the actual course of interest rates in the United States, activity has slowed considerably. Although \$1.3 billion in Euro-issues at a fixed rate had seen the light of day the week before, the amount offered since Monday has stayed under 450 million. Other than the loans mentioned above, we must note the \$125 million in Eurobonds offered by the Long Term Credit Bank of Japan as a "swap," i.e., as a

transaction which, in the end, will be exchanged for notes with a variable interest rate raised by another borrower. The fixed rate Jananese bonds will be issued at par with an annual coupon of 15.50 percent. On this basis, they were very warmly received. In the current atmosphere, Euro-issues devoid of warrant-type gadgets must assure investors of a minimal yield of about 15 to 15.50 percent per year.

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CSO: 3100/885

## DELORS URGES BANKS TO PROVIDE FINANCING IN CRISIS

Paris LE MONDE in French 31 Jul 82 p 20

[Text] Delors believes that banks do not always give small and medium-sized firms the attention they deserve.

"Firms expect a better understanding by the banks of their real needs, assessments based on closer cooperation and more suitable financial support," wrote Jacques Delors in a letter addressed to the managers of the national banks on 27 July.

The minister of economy and finance added, "The many cases that I have examined personally lead me to think that the small and medium-sized firms in particular do not always get--it's the least that can be said--the attention they deserve.

"This is why, at a time when all Frenchmen are being urged to make a special effort and to show active solidarity, the nationalized banks must show, through their concrete aptitude and their actions, that they are being newly motivated and are more sensitive to the life of businesses.

"I am personally counting on you to create or improve this flow of exchanges and understanding between your bank and the firms in question. Initiatives, some of an extraordinary nature, must be taken in order to respond to an extraordinary situation and to give our productive fabric the financial means for weathering this delicate period and finding the road to expansion and innovation.

"It should be one of your contributions to the collective effort to grant more suitable credits at particularly favorable interest rates.

"The sums in question will jeopardize neither credit granting criteria nor the balance of your operating account.

"It is imperative that this priority goal be reached rapidly, but it can only be reached by a certain reorientation of your commitments.

"I ask that you inform me of the centralized and decentralized initiatives that you will take and the results obtained. We will all undoubtedly draw useful lessons from this for aligning the credit system with the small and medium-sized firms."

"This letter is not a warning," specified Jacques Delors. "Its goal is to ask for some thought and to give guidelines for action to the general directors of the nationalized banks, some of which have already raised the problem previously."

Nevertheless, Delors is again questioning the banks' behavior toward firms, primarily small and medium-sized ones, which are being particularly buffeted by the economic situation at the present time, although he did not use the violent tone of last September. "I am disgusted by the bankers' attitude," he had declared at that time, while alluding to the bankers' hesitancy to reduce their base rate.

Delors very earnestly "hopes for" a better "understanding" by these bankers of the small and medium-sized firms, and even believes that initiatives of "an exceptional nature" should be taken.

He discreetly criticized the banks for being too interested in large-scale activities in Eurodollars and international credits.

The bankers reply that they were actively encouraged in the past and even recently to develop operations abroad, where activities are certainly more profitable, but are also of a nature to assist French credit and exports.

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## BUDGET FOR 1983 CENTERED ON 11.4 PERCENT INFLATION

Paris LE MONDE in French 30 Jul 82 pp 1, 19

[Article by Alain Vernholes: "Public Expenditures Will Approach 900 Billion Francs in 1983"]

[Text] Finalizing the 1983 national budget was delayed. The measures accompanying the devaluation of the franc--notably the price and salary freeze--led the Ministry of Economy and Finance to review the economic growth calculations and, especially, those involving the inflation rate. In one blow, all the credits assigned to each ministry were revised downward.

The national budget will approach 900 billion francs in 1983, compared to 788.4 billion francs in the initial 1982 appropriation bill. The increase in public expenditures of one year compared to the other is 13 percent, an increase of 4.1 percent in real value when taking into account the predicted rise in prices.

To keep the budget deficit within the limit of 3 percent of the gross domestic product, as the president has committed himself to do (118 billion francs), well-off taxpayers will be asked to pay more taxes. Income tax will be increased and the tax on estates may be increased.

The number one goal of the new government strategy is to break the inflationary cycle. The price and salary freeze was decreed to suddenly halt the nominal hikes which are now about 14 percent per year for prices and 16 percent for salaries.<sup>1</sup> Mauroy and Delors have established a goal of bringing the increase in prices to 10 percent in 1982 and to 8 percent in 1983.

This new situation obviously has important consequences for national expenditures, since the 1983 budget until now has been based on the assumption of an 11.4 percent price increase.

The predicted 3.4 point slowdown in the inflation rate has meant lowering public expenditures. Their increase was brought to 13 percent, compared to a little more than 16 percent in the plan before devaluation.<sup>2</sup>

This percentage, even though it is 1 1/2 points higher than the expected growth of the gross domestic product (11.5 percent) is the result of a deceleration

of state expenditures which advanced by 27.7 percent in the 1982 budget as voted by Parliament at the end of last year.<sup>3</sup>

The cutback in credits designated for each ministry was made more or less uniformly to take into account the expected slackening in inflation. But the cuts made to contain the deficit before the devaluation were brutal and spared only a few sectors: research, in which expenditures will increase a total of 30 percent (20 percent in real value); occupational training; national education; culture; industry and public firms, for which capital subsidies have quadrupled, going from 2.5 billion francs to 11 billion<sup>4</sup>; and to a certain extent, transportation.

The government plan also calls for almost 20,000 new civil service jobs to be added to the 125,000 jobs created in 1981 and 1982 (54,000 and 71,000). These jobs involve the police and gendarmes (about 3,000); teaching (about 5,000); tax service (2,000); and justice, research and public service jobs (4,000 to 5,000).

The most spectacular effect of the halt in inflation concerns the size of the public debt. After an increase of 42 percent in 1982, it should have increased another 35 percent in 1983. The lull in price increases should cause a lowering of interest rates. In the budget calculations they are estimated at about 11 percent, which would bring the growth in the national debt to 15 percent, the latter going from 53.7 billion francs in the initial 1982 forecasts to 60 billion francs in the initial 1983 budget. This forecast also implies that a more sizable recourse will be made to long-term financing sources.

Public rates should increase like retail prices, so as not to counteract the effects of the anti-inflation plan.

As for capital expenditures, which have swelled due to the increase in credits granted to research and by the subsidies to public firms, they should increase by 19 percent in program authorizations, 9.7 percent in real value.

#### A 65 Percent Bracket?

The construction of the 1983 budget rests entirely on a definite slowing of inflation. The extent to which this 1983 fiscal year forecast is correct depends on the accuracy of this assumption. *A priori* it appears compatible with a budget deficit of 118 billion francs, which is almost exactly the fatal 3 percent of the GDP limit set by the president. To better control the development of this situation, 20 billion francs in public expenditures will be set aside at the beginning of the year in a budget regulation fund and used later if the situation permits.

We must wait for September to see the tax side--until now hidden--of the 1983 budget. The question that comes to mind is how the income tax will be increased, because the principle is already known--well-off taxpayers will have to pay more.

Several routes are available. The first is not to correct for inflation the boundaries of the upper brackets, which would be the equivalent of increasing taxes on the highly paid. Within the administration this is rather criticized in that it clandestinely makes a tax increase a fact, whereas the authorities would rather make it obvious and call it an act of solidarity.

Another method would be creating a 65 percent tax bracket, which would mean making this year's extraordinary tax permanent.

Lastly, the family allotment system that was modified this year (its allocation hits a ceiling when a certain amount of reduction in tax is reached) could be more drastically changed. The idea would be to change the reduction per child, which currently varies as a function of income, into a fixed reduction equal for all regardless of income and which would depend only on the size of the family.

Will wealth also be subject to additional taxes? On 15 July Mauroy announced in a statement to labor and management leaders he received at the Matignon that the 1983 budget would include tax measures of solidarity "to reduce the excessive inequalities in income and personal worth." Three taxes could, therefore, be involved a priori: the capital gains tax, the tax on wealth and inheritance taxes.

During his press conference of September 1981, Mitterrand committed himself to eliminating, "in its present form," the capital gains tax which he described as a "bad tax." Upon examination, the principle of taxing capital gains appeared to be justified both from the viewpoint of fairness and effectiveness. The Dautresme report, although it emphasized the many disadvantages of the present system, opted for maintaining a simplified taxation system. Thus, capital gains on securities would be taxed at an across-the-board rate of 15 percent.

The current trend is therefore not at all toward increasing taxation on capital gains, but rather at decreasing it.

The Dautresme report, again, emphasizes what was already known: inequalities in wealth are much higher than inequalities in income. However, whereas the latter have not stopped decreasing during the last 15 years, it appears that the former have been increasing non-stop since the end of World War II. The crux of the problem now is to find out if it is a good idea in the present climate to again make changes in this particularly sensitive area of property.

A tax on large fortunes has just been instituted and has barely been enforced and it would be difficult to see how it could be changed already. As for the inheritance tax system, its injustice no longer needs to be shown.<sup>5</sup> But can the Mauroy administration, which did not change it in 1981, risk touching it in 1982?

#### FOOTNOTES

1. The hourly salary rate increased by 4.1 percent in the fourth quarter of 1981 and by 4.7 percent in the first quarter of 1982. But the figure from the beginning of the year was inflated by the reduction in the work-week.
2. This rate of 13 percent includes all state expenses, defense and military included.
3. The growth of the GDP in volume appears to be 2.8 percent. In 1983, that of GDP prices, 8.5 percent. (The change in retail prices was only 8 percent on an annual average from January to December.)
4. The figure of 2.5 billion francs applies to the initial 1982 budget, because the first extraordinary credits in May added 3 billion francs in subsidies to this sum.
5. See the report of the study committee about a tax on wealth drawn up by Ventejol, Blot and Meraud.

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**SHIP CONTRACT WITH FRANCE-DUNKERQUE SAID TO BE 'POLITICAL'**

Paris LES ECHOS in French 10 Aug 82 pp 8-9

[Article by Arnazud Rodier: "The CGM Orders a Container Ship from France-Dunkerque"]

[Text] France Dunkerque shipyards will deliver a third generation container ship with a capacity of 2,200 containers to the General Maritime Company (CGM). At first glance this is a relatively innocuous order which should not cause any problems, because the agreement protocol has already been signed and only the details of the operation need to be decided. But these details are precisely more important than they seem. Because this contract, which is giving work to France-Dunkerque shipyards at a particularly opportune moment, is a political contract.

It demonstrates the support that the public authorities intend to give the CGM in order to make it a "pilot national company." And it shows the state's desire to carry out the establishment of the famous North-South group, which will put the France-Dunkerque shipyards, the La Ciotat shipyards and the Naval and Industrial Builders of the Mediterranean (CNIM) into a single company.

The Ministry of the Sea is particularly clear on this point when it emphasizes that this order "is part of the plan for consolidating naval construction" and that in return it "is asking the naval shipyard to improve its productivity even more and to bring the restructuring to a successful conclusion." Give and take, because the state, again this time, had to make a huge effort. Putting the operation alone together was no easy task.

The ship, which will be put in operation in 2 years (it will be delivered 31 July 1984) within the Atlantic Container Line (ACL) consortium, of which CGM is a member, will not belong directly to the shipping company. A banking economic interest group, led by the BNP [National Bank of Paris] and the Societe Generale, is the owner. This economic interest group will lease the boat to the CGM. In this way, the latter will not be at a disadvantage in comparison to its foreign partners in ACL, who have, for their part, ordered new ships. This is true of the Swedish firms Brostrom, Wallenius Line and Transatlantic Steamship, as well as of the British firm Cunard. The figure of \$53 million per boat was suggested by each of them. This is not very far from the figure for the CGM order, it is currently said at the Ministry of the Sea.

### The Work Plan is Assured

For the France Dunkerque shipyards this is a good deal. The contract will bring them 2 million hours, or 8 months of work for their 3,000 employees at the exact time that they feared they would find themselves in a tough situation because of a lack of orders.

Officially, the conditions of the operation, i.e., the government's participation, are "normal."

In other terms, the difference between the sales price and the cost price of the boat will be about 20 to 25 percent. But this is the tribute that France must pay each time to foreign competition!

This contract, "along with the orders for Brazilian oil tankers already taken (LES ECHOS, 17 March) will assure the bulk of this shipyard's work plan in 1983," emphasized the Ministry of the Sea, which added, "It also illustrates the solidarity between the public shipping business and the French shipping industry."

This is true, but it must not be forgotten that the "public shipping business," here the CGM, again lost over 275 million francs last year (480.5 million in deficit for the financial holding company) and that it must set up an extremely strict recovery plan. This is the price at which the state can really foresee granting the company the financial assistance it will still need.

### A Measure of Confidence

It supports today for the order of a new container ship so that the CGM can strengthen its position on the North Atlantic is certainly a measure of its confidence. But it is also a way to reinforce its hold over the company. Just as it is a way to encourage the France Dunkerque shipyards to hasten the activity for successfully implementing the restructuring decided upon by the public authorities.

For the moment, negotiations on this subject are bogged down. Officially because of the problems in Beirut which are holding back the Lebanese who represent the Kuwaiti interests in the La Ciotat shipyards. Unofficially, because some stockholders are not putting their good will into it. The government, however, intends to stick to its schedule and create the new naval construction firm before the end of the year. To do this it is definitely counting on using all the arms at its disposal, including a restructuring bonus.

This hurry can be explained even better because the public authorities have another operation in mind: Bringing together the Atlantique shipyards and Dubijeon Normandie. Despite the determination of the minister of the sea, Le Pensec, this realignment has come up against several obstacles. The first is that the Atlantique shipyards are hardly interested, since this would weaken them unnecessarily. And, for the government, it would be better to have finished the first operation before attacking the second head on.

## INDRET NAVAL CONSTRUCTION CENTER STRESSES NUCLEAR POWER

Paris COLS BLEUS in French 7 Aug 82 pp 4-6

[Excerpts] The Indret Naval Construction Center (ECAN) is located on the Loire, 10 kilometers downstream from Nantes on a rocky ridge that was formerly isolated in the middle of the river--it is still common to speak of Indret Island--but now connected to the left bank.

#### Scope of Work

The Indret Center's basic activities are the design, study, construction, putting into service and follow-up of propulsion devices for the ships in the navy, as well as the study of possible advances and the corresponding tests.

This specialization goes back to the beginning of steam navigation.

#### Current Activities

The Center's capabilities have developed by adapting to changing techniques and to the needs of the navy in the area of propulsion.

Today, Indret has acquired exceptional experience in nuclear techniques by participating, as a major partner of the AEC, in the construction of nuclear power plants for missile launching nuclear submarines [SNLE] and nuclear attack submarines [SNA]. It has also demonstrated its competence in the new techniques of gas turbine propulsion, automation and remote control of naval propulsion devices. Lastly, since 1970 it has undertaken evaluation studies and trials of electrical equipment for ships.

It plays the role of consultant and technical advisor to the agency in charge of fleet maintenance.

The Indret Center performs endurance tests and evaluations on complete power plants and their components (boilers, diesels, gas turbines, reduction units, etc.), on nuclear engine parts and on devices for producing and distributing electrical energy for ships.

It also participates in sea trials of propulsion devices for fleet ships and has specialists of all levels available for this.

## Tasks

The current tasks of the center are:

--Experimental tasks (study and research): Experimentation and testing of naval propulsion devices, their components and accessories, as well as the development and updating of technical regulations to be followed during construction, maintenance of such devices and the handling of damages occurring in service.

--Design, study and project expertise of devices in the most advanced technological areas, i.e., nuclear propulsion and gas propulsion (turbines and, possibly, turbodiesels).

--An industrial task of manufacturing propulsion devices and their components, which follows modern technologies (nuclear, gas, etc.) and keeps up with latest advancements.

## The Means

The Center has available a coordinated group of closely linked methods to fulfill these tasks: Design office, testing center, laboratory for studying and inspecting material and a production unit specializing in precision mechanical means and power plants which includes:

--A very advanced testing center equipped with centralized, automated pipes and facilities for acquiring and processing measurements in real time which allow in-depth experiments on prototype equipment to be conducted before installation. This is how it was possible to test the complete propulsion installation for prototype ships, especially the Colbert, Jeanne d'Arc, Suffren, Aconit, Georges Leygues and Rubis. A work station has been specially adapted for testing steam generators and various equipment used in constructing nuclear engines. It can also test, for the EDF [French Electric Company], circuits designed to equip electronuclear power plants.

--A laboratory for the study and quality control of material that employs about 70 individuals, including 15 engineers and professionals, and that has important facilities for analyzing, testing and checking metallic materials.

The laboratory is involved in the field of metallurgy, in the stages of design, study and production of materials, and especially in defining inspection standards and making metallurgical assessments. It also conducts in-service inspections of on board nuclear engines. Because of these activities, it participates in different national-level study groups in the areas of regulation, research, and inspection.

--A design office including 100 draftsmen and designers directed by about 50 engineers and professionals.

--Production shops that employ about 600 and which are equipped for large-scale engines and machinery. The Center has facilities for performing work under conditions of nuclear hygiene.

--A quality control service, under the administrative services, having as its goal to organize quality and to insure the necessary standards for guaranteeing that required quality levels are reached and to present proof of the quality obtained.

--A data processing center equipped with an HB64 type DPS4 computer used by staff, some of whom are trained at the Center and some of whom are recruited from the Nantes University Institute of Technology and the Arcueil Technical School.

The Indret Center employs about 5,000, including over 200 professionals, among whom there are about 90 military and civilian engineers.

#### The Future

Recent technical developments in propulsion devices for navy ships have been marked by a turn away from classical boiler propulsion (steam turbine) which for decades was the bulk of Indret's activity and which made it famous.

Projects under way or on the drawing board include:

--nuclear propulsion for submarines and the future aircraft carriers;

--diesel motor propulsion for small ships (such as gunboats);

--mixed propulsion diesel-gas turbine (CODOG) [combined diesel or gas] for antisubmarine corvettes;

--a new propellant, based on very high supercharging diesel with low compression rates, for antiaircraft corvettes.

These developments have played a prime role in giving the Center a new orientation for the last 20 years.

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ECONOMIC

FRANCE

BRIEFS

ALSTHOM'S OFFSHORE DRILLING RIG--The Atlantique Shipyards, the naval construction division of Alsthom-Atlantique, and the Bouygues Offshore Company signed a construction contract at the end of July which definitely confirms the order for a rig for hoisting and positioning underwater pipes. This order was the subject of a letter of intent at the end of June. The rig will have the following dimensions: Length of 122 meters, width of 31.40 meters and depth of 9.24 meters. It will be equipped with a crane of 1,100 tons capacity which will allow heavy gear for offshore development and necessary equipment for installing underwater pipes up to 60 inches in diameter to be put in place. It will include a helicopter pad, as well as housing for 220 individuals. To be delivered at the beginning of 1984, this rig, which will fly the French flag, will operate in the Gulf of Guinea. It will be the first rig of this type and size to be built in France. [Text] [Paris LES ECHOS in French 9 Aug 82 p 8] 9720

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## TRADE UNION CALLS FOR SHORTER HOURS, PAY CUT

The Hague ANP NEWS BULLETIN in English 19 Aug 82 p 3

[Text] Amsterdam, August 18--Holland's main trade union organisation announced on Tuesday night it plans to seek a 10% cut in working hours with a more or less corresponding cut in wages in the next four years.

The Netherlands trade union federation (FNV) told workers that they themselves were to pay for shorter hours by forfeiting (part of) their cost of living wage adjustments and any other scope for pay rises.

In a discussion document adopted by all affiliated unions on Monday night the FNV said industry could not be expected to foot the bill in view of the economic recession.

The FNV, representing some one million works, said it planned to make shorter hours its key demand in the 1983 wage bargaining talks.

Presenting its strategy for the four-year term of the government to be formed after the September 8 elections, the FNV said its demand for shorter hours at the workers' expense was aimed at cutting the country's mass unemployment, now running at nearly 11% of the working population.

## Wage Adjustments

The FNV comes out against any plans to abolish the existing system of automatic semiannual wage adjustments, arguing there are no reasonable alternative for the system.

Explaining the document to the press, FNV deputy chairman Herman Bode said this did not detract from the fact that discussion on the effectiveness of the existing prices compensation system within the FNV was continuing.

The envisaged reduction in working hours is to lead to a 36-hour working week but as a run-up to this the number of so-called roster-free days a year could be increased.

The FNV's new strategy document was drawn up because its previous socioeconomic policy memorandum published last year has already been overtaken by events.

It was still assumed last year that unemployment would rise to 500,000 by 1985, a figure which has already been reached and is now expected to rise to 700,000 to 800,000 by 1985.

The new FNV document admits that industry will have to be the driving force in efforts to put the economy back onto a sound footing. [as published]

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## FORD'S PROJECT VIEWED WITH SKEPTICISM

Lisbon O JORNAL in Portuguese 27 Aug 82 pp 12, 13

[Article by Economist Maria da Luz Braga: "Ford Project in Portugal: Development of What and for Whom?"]

[Text] The so-called Ford project for Portugal has been coming to light over the past 3 years and on various occasions. The issue was raised again recently and revived among public opinion by the prime minister in connection with the trip to Portugal by officials of the multinational Ford Motor Company. The matter is of interest from various angles and deserves discussion by the Portuguese. This as a matter of fact is a huge investment project, involving \$1 billion, with implications on the country's society and economy which must be analyzed and discussed.

## Project's Context

The Ford project basically consists of the construction of a new-model auto assembly plant at the Sines industrial complex, as well as the establishment of various types of economic and social support facilities (land for the construction of the factory and the storage of units produced, port facilities and equipment, energy, a road network and an airport, basic sanitation, housing units, a hospital and a hotel).

About 3 years ago, Ford had almost completed negotiations for the establishment of an assembly unit in Austria. It appears clear that it was due to the initiative of the then Industry Minister Alvaro Barreto that these negotiations, which were nearing conclusion, collapsed; Portugal submitted a counterproposal fundamentally based on the low cost of manpower to attract this investment to Portugal. Besides, Portugal, as a trump card, could offer the possible location for the project in Sines, thus getting the benefit of the existing good natural and artificial conditions, such as the port, the industrial establishments, the geographic location, and the means of transportation and communications (see FINANCIAL TIMES, 21 July 1982).

But, the course of negotiations launched at that time has been slow and has been marked by deadlocks and hesitations on the part of the multinational company--some press publication even suggested that it had definitely decided to drop the project--as well as the rather weak desire of the Portuguese administration to arrive at an accord (see CORREIO ECONOMICO, 14-20 August 1980 and 28 August-3 September 1980).

Only about a month ago, a letter of investment intention was to be signed during the presence of the presidents of Ford-U.S. and Ford-Europe in Portugal.

The final decision on the undertaken is to be made during this coming month of November.

We should however not be surprised by vicissitudes which took place throughout the process of negotiations. The hesitations on the part of Ford are understandable: The general and specific conditions for the construction of the project, in line with its interests and objectives, did not seem sufficiently attractive to it. We must recall that the general crisis which capitalism has been experiencing and the economic and social changes that have been taking place have had a particular effect on the auto industry. By way of example for the crisis in this industry we might mention the fact that this industry is heavily influenced by the rise in oil prices, by a drop in the demand due to the decline in purchasing power, and by the existence of stiff competition among powerful companies. The crisis manifested itself particularly in the closing and conversion of factories and assembly lines, in layoffs and labor conflicts, in the relocation of factories in countries with a low industrialization level where manpower is cheaper and where some expansion of the market is possible.

Ford Motor Company, one of the biggest enterprises worldwide, was no exception but rather the rule in a panorama that is reasonably well known or that can easily be determined.

#### Project Terms

The thing that is important to us above all is to analyze the terms of the project provided for Portugal and their possible implications regarding economic and social development.

Ford presented its terms to the Portuguese administration, it demanded and offered and seemed determined to carry out the investment. For this purpose it obtained a pledge from the administration to the effect that the latter would put up and permit the construction of some infrastructure facilities, the grant of financial and tax benefits, and a promise of passing special labor legislation. Some of these terms are not exactly known and others, we must admit, have not yet been spelled out.

We might mention in passing that it is at least lamentable that the administration is keeping public opinion so poorly informed on a project of such dimensions. This situation however is not an isolated one. But, and this is even more serious, it is certain that the project will have general implications on the country's social and economic life and that the Portuguese Government will have to assume huge financial burdens in connection with this undertaking; the entire project has been presented under the sign of the country's economic and social development.

Ford specifically demands the following: Construction of general cargo port, equipped with a continuous terminal and a roll-on/roll-off terminal whose cost has been estimated at 3.5 million contos and which is to be built by 1986, the year scheduled for the auto factory to go into operation;

A level land section covering 237 hectares, budgeted at 500,000 contos;

A port facility which is to accommodate 8,700 vehicles with a surface of 17.4 hectares;

The construction, by 1985, of 3,500 homes for its workers, of which 1,000 will be built by the Portuguese Government and whose cost has been estimated at 2.5 million contos; the land for the remaining units, to be put up by private initiative, will be turned over on a basis of land surface rights which is equivalent to half the value of the market price;

Construction of an airport with a 1,200-meter runway costing 500,000 contos;

A 500-bed hospital at an estimated cost of 1.2 million contos;

A provisional 40-room hotel, budgeted at 100,000 contos;

Ford will also be able to get \$100 million in loans guaranteed by the government and incentives as well as a promise of labor law amendment in order to be able more easily to hire and fire the workers (see FINANCIAL TIMES, 21 July 1982).

On the other hand, Ford offers the following:

The creation of 5,000 direct jobs and a larger number of indirect jobs;

Some incorporation of domestic products, above all materials from the glass, rubber, and plastics industries.

Of the auto factory, which will assemble 200,000 units per year, 10 percent will be devoted to the domestic market and the remaining 90 percent will be exported.

Under the conditions listed above, the Ford project would contribute more negative aspects than positive aspects to the country and the people's economic and social growth. Let us see why.

#### Almost All Output Would Go Out, Leading to Undesirable Competition

In this way, the Portuguese Government is actually helping a foreign investor who in Portugal definitely seeks better conditions for carrying out its production program and who seeks to achieve profits essentially by using cheap manpower and by benefitting from special tax and financial conditions.

From the output and market viewpoints, as a matter of fact, the planned auto factory will only sell 10 percent of its output on the domestic market and almost the entire output will thus go for export. But, contrary to what might happen in connection with other projects, we find that the 20,000 vehicles earmarked for the domestic market will not fail to introduce problems deriving from competition which would be unleashed. These problems arise in connection with the remaining competitors on the domestic auto market, economic policy governing the sector, and the prospects of membership in the EEC as well as the project which the government is pursuing with Regie Renault.

The domestic auto market as a matter of fact is quite small and right now the supply is on the order of 75,000 units per year while the demand is about double due to deliberate economic policy measures. In the meantime, the trend emerging in recent years is toward a decline in the demand and the existing auto inventory is becoming older.

The market for all vehicle makes with a gross weight of less than 20,000 kilograms (MTM [1 metric ton]) is subjected to quotas from 1979 until 1985; this means in practice that, beyond the base quotas established annually since 1979, additional quotas can be assigned only as a counterpart to exports or investment properly approved by the administration (Decree Law 351/79, aimed at the accelerated conversion of the auto sector). At the end of 1984 and according to the prospects for Portugal's membership in the EEC, this quota system will be terminated and we expect that the main problems for the auto sector will then arise.

On the other hand, the government has been working on a project with Renault since 1980 amounting to more than 30 million contos in investments and this project is not to be fully effective until 1988; this undertaking is being continued, but with well-known difficulties in terms of enterprise structure and organization. Will Portuguese Renault manage to attain the goals it has set for itself by 1985?

The context outlined here therefore does not deceive us as to the by no means healthy competition which Ford will cause with its 20,000 units, since it will do that only starting in 1986; but by that time the competition situation will be basically different and Ford will be strategically placed to increase its competitive power if it should desire to do so.

We can thus see the contradiction between the economic policy which the administration has been drafting for the auto industry and the future implications deriving from the Ford project: The former is supposed to be aimed at the rapid conversion of the industry and an increase in the competitive capacity of the Portuguese auto industry in the future, keeping in mind membership in the EEC; the implications however seem to indicate that Ford would be a serious competitor, creating additional difficulties for the enterprises and the projects in the sector, including the project in which the government itself is participating; this would moreover make it difficult to coordinate the instruments of membership and the contracts signed in the industry, something which the administration will have to take care of.

On the other hand, we ask this question: What tax benefits (exemptions from and reductions of taxes and duties) will the administration give Ford? Under what financing terms will Ford carry out its own investment? Where will those \$100 million in guaranteed loans and incentives, mentioned earlier, really come from?

In other words, who is going to do the financing and how exactly will this project be financed?

#### Unnecessary, Restrictive Support Facilities under Acceptable Conditions

There is no doubt that Ford's requirements in this area are showy and daring. Some of the infrastructure facilities as a matter of fact are necessary for Portugal's development; the only trouble is that there are few times when the conditions under which they are going to be put up can be considered acceptable. Beyond the ultimate

purpose of the implementation of these investments, there are other questions which will have to be considered, such as: Who is going to handle the investments as such and who will benefit from them, the timing and priority in relation to other projects now in progress or planned, or the interactions to be established between both.

Let us look at some demonstrative examples.

Concerning housing, there is no disputing the fact that it is certainly worthwhile to think of housing along with the rest of the projects, along with the factory installations and the other support facilities, because this involves housing facilities for the workers at the future factory; nevertheless, 1,000 out of the 3,500 housing units will be built by the Portuguese Government through the Sines Area Office and that will cost the government at least 2.5 million contos. Now, since the above-mentioned office in the meantime actually has a project under way for the construction of 1,700 housing units, there are financial and project management restrictions and Ford is demanding the construction of housing units by 1985, so that the former will be sacrificed at least temporarily to the benefit of the latter. This means it will be necessary to meet the requirements of the latter--and they are many--who are supposed to live in the 1,700 housing units already planned.

But Ford was also given land ceded on a basis of surface rights, whose value is approximately half the market price.

The time has come to ask ourselves whether Ford, because it is getting the advantages of cheap manpower, should not assume responsibility for the costs deriving from that on a basis of equality with other investors because it would still get benefits greater than those of the other local lessees, where the surface law is applied to industrial parks, and it is moreover the government which will prepare for Ford an infrastructure facility complex which it will benefit from.

As for the hospital, it is, to say the least, ridiculous that a multinational enterprise should demand that sort of thing in a contract of this kind. This undoubtedly is necessary community equipment in which the region is lacking but it is the Portuguese state and it alone that should decide on its construction. Is the administration hesitating to carry out this investment or could it be that Ford is now pursuing public and social utility objectives?

The airport, amounting to about double what has been planned for the region, involving even more ambitious goals, signifying an investment of half a million contos, is a perfectly superfluous investment. As we know, Portugal has three major airports--reasonably well distributed, especially, and Sines was even mentioned in the negotiations by the Portuguese party as being only 150 miles south of Lisbon (see FINANCIAL TIMES, 21 July 1982). For these reason, and by virtue of the private nature of the use to which it seems the airport will be put, how could one consider this investment to be socially useful or necessary for the country and how could one therefore approve it?

Concerning the general cargo port, nobody would doubt that this is an investment necessary for the country's development and particularly for the region of Sines; but it already seems that there is reason to fear that its placement and its

profile will in the end be determined by Ford's demands, which are by no means modest, regarding terminals, port facilities, and storage areas; this will therefore harm the future viability of other projects, such as, for example, the non-existent mineral vessel terminal.

#### Small and Uncertain Gains and Future Insecurity

We have already seen that only a very tiny part of the output of this tremendous investment project will go to the domestic market and we analyzed the possible consequences; the bottom line turned out definitely negative.

What about the other offers contained in the Ford project? Here we have 5,000 direct jobs, several thousand indirect jobs, whose number is difficult to specify, plus the inclusion of domestic products in the assembled cars.

There is no doubt that, for a country such as Portugal, where the unemployed population is counted by the hundreds of thousands, although we do not have precise statistics, 5,000 new jobs are an important thing. It is also important to realize that there could be thousands of indirect jobs in other industries and services which the project would influence, thus further increasing the output of other industrial establishments and projects already signed or in the course of initial implementation (materials from the petrochemical and rubber industries in Sines, for example) or those which could even spring from this entire effort.

But, as we showed, this is not enough to evaluate the impact of the project and to form any opinion as to any anticipated gains or losses.

If we realize that, 2 years ago, those 5,000 direct jobs were supposed to have numbered 7,000, then we are less satisfied with the gains to be derived from the project; this at the same time alerts us to the loss of negotiating position on the part of the Portuguese side and it fundamentally leads to the fear that the 5,000 jobs might in the future remain just that and hopefully no less.

On the other hand, the administration is granting tax and financial benefits and will have expenditures in connection with the construction of infrastructure facilities; we already analyzed, to the extent possible, the conditions under which those facilities would be put up and their adjustment to the country's necessities.

Of course, it is important to be sure just how high the government's expenditures would be and what kind of tax revenues it would get, as well as the exact financing terms for all investments. This demand seems perfectly fair to us. But the truth is that the above-mentioned elements, combined with the knowledge that the evaluation of the impact of a development project cannot be boiled down to a simple financial analysis but also requires an economic and social analysis--and we will try to pursue our analysis along these lines--do enable us to conclude that the gains to be derived from this project will be very small. But there is every indication that the analysis of the financial aspects will run in the same direction.

On the other hand, it would be important to analyze the costs and benefits to be derived from this project in comparison to the other alternate projects. We have no doubts when it comes to reporting that various possible projects appear to offer definitely higher gains, thus reducing the gains of this particular project even more. Let the reader think about that.

But, as if this uncertainty and the minor gains mentioned were not enough, we encounter a strong note of insecurity on top of everything else in connection with this project and all that depends on it. We would not be surprised if Ford were to pull out of Portugal due to a further downturn in the economic recession, due to more advantageous prospects in other localities or for other reasons; this might happen even though Ford might already have made the investment; this is a characteristic feature of the way in which that company operates, along with other similar companies, which have been adopting this procedure all over the world and which are free to do so. The consequences would then be obvious.

#### Project Does Not Promote Growth

We know that the big investment projects normally have a tremendous impact on the economic growth of nations. But not all of these projects prove capable of promoting economic and social development. That depends on various factors. Among these we might single out the situations under which these projects are adapted to the economic and social conditions encountered as well as the interests and objectives of the promoters of the economic projects and of the development strategies.

The main indicator of the capacity of an economic project in promoting development is the benefit which the people are going to derive from the implementation of these projects.

In the process of economic and social growth, huge economic projects express and are the source of inestimable human and material wealth: They mobilize important resources, they permit and they are the expression of intellectual and material capacities, they produce values whose distribution will increasingly satisfy the various necessities of an economic and social nature. These great economic projects then represent powerful means in a dynamics--the dynamics of development--in which men progressively dominate the economy and place it in the service of the satisfaction of their needs.

An important characteristic of the development process is the harmony in relations between economic projects and social projects, through the interaction of the various elements involved, without any characteristic forms of conflict. Economic and social development is achieved in accordance with a strategy, with objectives, and an entire process of economic and social coordination in which the people participate; this is why we can in such a case be sure that the results will be the identification and the satisfaction of its own necessities, boosting the exploration of human and material resources.

To analyze the Portuguese case, we must first of all remark that the interests and objectives of Ford and of the Portuguese administration will basically have to be stated in a different form since the former is a transnational enterprise, pursuing its own strategy and rationality, pursuing objectives which are naturally different from those of a country's government. For example, it would be illogical and it

would make no sense to demand that Ford adopt Portugal's economic and social development as its own objective and it would be similarly illogical to demand that the Portuguese Government do not concern itself with that issue. This does not necessarily mean the rejection of negotiations and accords between different entities or foreign investments because they are foreign; that would also be unreasonable. The key here is the importance of analyzing the conditions for the implementation of the investment involved, particularly from the viewpoint of checking on its implications regarding future economic and social development.

Now, looking at the analysis of the Ford project terms and the features pointed out in connection with the development process, it is easy to conclude that this is a project which will not promote economic and social development.

As a matter of fact, it is a project from which Ford will derive incomparably more benefits than those that could be enjoyed by the Portuguese population and this project really is not suited for providing dynamic impetus for the nation's economic and social development.

On the basis of the above analysis, we can say this:

The benefits which this project will bring to the Portuguese population and to the country, in terms of creating jobs, using domestic products, and bringing in tax revenues, will have to be counterbalanced by the human and material resources which Ford will get out; in this balance, the former will mean little and, beyond the immediate advantages and disadvantages, the insecurity involved in this undertaking is great; this only increases the risks in putting economic and social growth on such a basis;

On the other hand, this is a conflicting project to the extent that unhealthy competition will produce conflict among manufacturers and dealers in this sector while at the same time we can foresee equally conflicting situations involving the workers and their organizations in view of the inclination against accepting existing labor legislation;

Finally, this project could harmfully divert us from the road of economic and social development; in view of the money shortage and the known economic difficulties which the country is experiencing and in the light of the pressing need for development, the choice of this investment project will take possibilities away from the continuation of other economically and socially advantageous and safe projects and will put us more closely on a road leading to an economic development model facing toward the outside world, in other words, a model which above all is designed to satisfy foreign objectives and necessities and that always implies domestic delays and economic and social distortions.

Finally, it is becoming increasingly indispensable for us to know the development strategy which is to be adopted by the government. In the absence of clear references about the objectives and means of this development strategy, we have no way of knowing how the economic and social necessities of the population will be satisfied through projects such as the Ford project.

ECONOMIC

TURKEY

EREN ASSESSES CRITICAL TURKISH-IMF RELATIONS

Istanbul GUNAYDIN in Turkish 29 Aug 82 p 6

Text The changes within the leadership of the Turkish economy are a result of economic difficulties experienced over the last two years. While a segment of public opinion is attributing these difficulties to the strict application of policies jointly formulated with the International Monetary Fund (IMF in brief), the ideological segment within public opinion views the difficulties as the natural outcome generated by a capitalist free market regime.

In view of the change within the Cabinet, economic activity has once again become a topic for political argument and the agreement with the IMF has taken the forefront of debates within the press. As the result of this argument, economic issues that have domestic as well as foreign aspects may once again shed their objective essence at the hands of sectoral, regional and personal interests, falling in the process under the shadow of personal prejudices and damaging at a critical moment the unity that we so badly need within our national economy.

Without any doubt, the measures that Kafaoglu is working on are vital to the economic health of Turkey. In order to prevent the new measures from having a misleading effect upon public opinion and to facilitate their implementation, let us review the philosophy as well as the highlights of the policy that has been jointly formulated with the IMF.

First let us clarify a game that the ideological segment insists upon playing, even though it knows better than anyone else that the game does not make sense. At all times, Turkey is the proprietor of her national economic policy. Turkey's national economic policy is not enslaved to the IMF.

As is the case with a large number of countries, Turkey has fallen into balance of payments difficulties and has become unable to satisfy its need for basic necessities such as petroleum.

Turkey has contacted the International Monetary Fund which has been founded to deal with just such requirements. This is precisely comparable to a businessman who is in need of credit to operate his factory... Again as a businessman would do with a bank, Turkey and the IMF sat down together to evaluate the situation and came to an agreement on conditions for the utilization of the credit. The agreement is a product of economic reality and not political pressure or ideological leanings as it is being claimed by the ideological segment. The most valid proof of this is the fact that the IMF also enters into agreements with Communist nations such as Poland and Hungary.

The IMF has concluded agreements with 88 countries in the 1979-1981 period. The primary function of the IMF is to provide short term aid to countries that have had their balance of payments temporarily upset and to restore this balance in one year. Nevertheless, the agreement with Turkey is different in nature from short term agreements. The petroleum crisis has brought about a chronic ailment in the balance of payments of many countries. Turkey has proven to be the most radical example. Prior to the increase in petroleum prices, Turkey had been paying 300 million dollars for petroleum imports and meeting this bill with 20 percent of its export earnings. In 1980, Turkey had to pay 3.4 billion dollars for petroleum. In addition to all of its export earnings, Turkey had to set aside a portion of worker's remittances to purchase liquid fuel. Large economies such as Brazil and Italy have also fallen into this situation. The Fund has had to make modifications to the policies stipulated by its charter in order to provide assistance to countries caught in this situation.

The Fund has entered into three year agreements with countries that have had to make structural changes to their balance of payments. These have been long term agreements involving broad concepts and large contributions. Moreover, the Fund has obtained additional contributions to make such assistance possible. The new contributions have mostly come from petroleum producing nations and have gone into the Petroleum Fund. The three year period of assistance has not been restricted to closing gaps in the balance of

payments and has also been directed towards correcting inherent flaws that lead to instability within the national economy and financial structure. Naturally, changes within the economic structure have necessitated political and social decisions. For this reason and as is the case with Turkey, agreements with the IMF have led to deep political arguments even in countries such as England which is one of the five financial giants.

The gaps that necessitate structural changes in Turkey are caused by vast discrepancies that have emerged between production and consumption. In any type of economy including Communist economies - as evidenced by the case of Poland, the restoration of the balance will require a reduction in internal consumption, state expenditures and social services. Such measures are severely hurting governments. In the case of Germany, the government of the Social Democrats which led that country to become the world's second greatest industrial nation within a span of twenty years is slipping from power inspite of the presence of a superior leader such as Helmut Schmidt. The most interesting aspect of the topic is that it has begun to rise above ideological tendencies. In the case of France, the Socialists who opposed an economy of disciplined cutbacks and defeated the Gaullists have been forced one year later into a complete turnaround and a return to financial and monetary discipline.

Like Turkey, twenty three nations have decided to enter into long term agreements requiring structural change with the IMF. In a statement, IMF General Director Larosiere has collectively accused these nations of being indecisive and impotent. He has claimed that these nations had turned towards the IMF only after their ailments had become chronic and unbearable, and that radical operations causing political difficulties as well as social tensions were being necessitated by this delay. In various statements, he has maintained that the disease which affects the balance of payments is in no way tolerant of political and social illusions.

At the end of 1981, the Steering Council of the IMF conducted a special review of the economies of the 23 countries with which the IMF has long term agreements and has measured the performance of these countries' disciplined economies. According to this analysis, 14 of the 23 nations have been as successful as Turkey in attaining the main objective of regulating the balance of payments. Twelve nations have been as successful as Turkey in obtaining good results from efforts

to reduce and control inflation. Like Turkey, reductions in credit as agreed upon with the IMF have been achieved in 16 countries and almost all of the 23 countries have reduced government spending and budget deficits. The budgetary deficit of only six countries has exceeded five percent of gross national income.

During the March meeting of the Steering Council of the IMF, Larosiere indicated that he found these results to be inadequate. He accused certain countries of being late in implementing the measures while he said that others were guilty of not fully implementing the measures. According to Larosiere, following the second year of implementation the political environment becomes unfavorable towards the measures. While labor exerts pressure to obtain wage increases the government is driven to concessions as the result of pressure exerted by industrialists who are oriented towards the domestic market. This has resulted in the steady chiseling of the discipline inherent to the measures. While such chiseling is necessary in many cases, on many occasions performance has deteriorated because governments have not known where to bring a halt to the process.

The General Director has not discounted the role that is played by global recession in affecting performance. World trade which had been expanding at an annual rate of 8 percent over the last twenty years has grown at an annual rate of only 2 percent since 1980. This decrease has particularly affected the trade in raw material futures. In general, a 15 percent drop has been registered in the price of special goods. This has meant losses for countries like Turkey that have a large share of their exports made up of raw materials. These losses have been further increased by the additional burden imposed by high interest rates. For instance, if we were to take the average figure of 4 billion dollars that is owed by Turkey to private enterprises and bear in mind that Turkey must now pay interest rates that are 4 percentage points higher than what they were three or four years ago, it becomes evident that the additional sum that must be paid by Turkey amounts to 160 million dollars per year.

Over a period of two years, Turkey has embraced with exceptional loyalty the disciplined economy that it jointly developed with the IMF and has proven its determination to treat its economic disease. National unity has been very helpful in this matter. However, as it has been admitted by the General Director of the IMF, internal as well as external causes are creating certain inadequacies in the

application of a disciplined economy. These inadequacies require the bringing of a certain flexibility to internal as well as external production and consumption and to monetary as well as budgetary policies. In his various statements, our Finance Minister Adnan Baser Kafaoglu has quickly demonstrated his understanding of this flexibility. His training and experience confirm that he is qualified to exercise such flexibility within the general framework required by a disciplined economy. Nevertheless, in the months ahead there will be those who view flexibility as a refutation of the policy of overall discipline. Also, there will be those who long for a repetition of the generous dividends obtained during the expansion period of the 1960's. The policy of flexibility will be subjected to criticism from many directions. Our public opinion must be prepared and awake in the face of such criticism. It is only through national unity that Turkey has achieved its struggle to rise from under what is perhaps the heaviest financial burden of its history. Kafaoglu has taken over the struggle at its most critical phase. He has turned towards the development of a policy that is as realistic and as flexible as global conditions will allow. We must provide Kafaoglu and Minister of State Pasin who is entrusted with foreign relations with the national support that will be necessary to achieve domestic and foreign prestige as well as success.

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CSO 4654/431

## FDP'S MOELLEMANN ON PARTY'S PROGRAM, FUTURE

Hamburg DIE ZEIT in German 20 Aug 82 p 4

[Text] Again the death knell is being sounded for the Liberals. But Juergen Moellemann, FDP Bundestag deputy and spokesman of his fraction on security policy, has no fears for the future.

At the present moment the death knell is again being sounded uninterruptedly for the FDP. This is nothing new for the Liberals, for whom the ride on the public opinion poll roller coaster has always been a thrill and a tonic, as it will continue to be. This is obviously unavoidable with a party which can always get only about 10 percent of the votes which can be had for liberal thinking.

For what reasons is FDP stock now so low on the Allensbach exchange? What has to happen to bring about the next Liberal rise?

First: Personnel. The party chief, Hans-Dietrich Genscher, enjoys great respect among both friends and opponents of the FDP (97 percent among FDP supporters, almost 80 percent among opponents). Similarly outstanding is the opinion of the citizenry toward Walter Scheel, the honorary chairman. He is not only a loyal and important adviser to Genscher--he will certainly still play a political role.

With Wolfgang Mischnick, Count Lambsdorff--whom many consider the number two behind Genscher--, Gerhart Baum and Josef Ertl the FDP has four more politicians to show, all of whom have their special target groups in the Liberal potential.

The FDP therefore needs to have no fears for the future with regard to its leadership personnel. A couple of changes in the top to middle-level management suffice to maintain and raise the attractiveness of the leaders.

Second: the performance offer. Here there are two curious facts: First of all, for many people it would take a very great effort to develop the FDP into the people's party. But it is not, and should not want to be. It is also odd that some people believe that every day, if at all possible, they have to produce new program statements. Instead of this we had better concentrate, until the upswing, on a limited number of themes from the FDP Freiburg election campaign of 1980.

Here are my proposals, derived from quotations from the program:

"Our country desires the complete integration of the European Community as rapidly and as closely as possible." We are far from that. The Liberals must be the movers here.

"Our country is a neglected partner in the North Atlantic Alliance. Necessary conditions for the functioning of the alliance are mutual trust and consultation of the alliance members among one another." There is a hitch there too (example: the natural gas-pipe deal). We are taking care that the Federal Republic gets along with its NATO and European Community partners self-confidently and at the same time ready for compromise. Self-confident partners should nevertheless have rejected the attempt, which is as cheap as it is dangerous, to be diverted from their own responsibility and mistakes for transparent election campaign reasons and in a consciously false way. That is what is happening in the case of the most recent SPD attempts to sweep the present national debt, our high interest rates, the NATO double decision, and maybe even the poor election results of the American Government under the rug.

"Therefore the FDP will venture everything to make the 1980's a decade of disarmament." In this field there have been notable successes, for example the beginning of the intermediate range missile negotiations and the resumption of the talks on strategic arms. A proposal will be circulated at the Federal party congress of the FDP in Berlin which urges further steps: for example new moves in the MBFR [Mutual Balanced Force Reduction] negotiations, among other things through a unilateral withdrawal of the tactical atomic weapons of the West. Or: under specific conditions even the establishment of a nuclear-free zone in all Europe from the Atlantic to the Urals.

These disarmament efforts, however, are promising, that is, attainable as an alliance position and capable of acceptance by the Warsaw Pact, only if there is no doubt of our own capacity for defense.

With the present unwillingness of the SPD to act in the field of defense policy, the FDP must see to it that the Bundeswehr remains capable of fulfilling its task even under changed demographic, technological, and financial conditions.

"It must now be the task of a solid budgetary policy..., drastically to limit new indebtedness of the state and to reduce debts." And: "It is therefore time to reduce government expenditures." This is without doubt the decisive test in the sphere of domestic policy. Not only the stability of our currency and the recovery of our industry, but also the answer to the question whether we can preserve the cornerstone of our social system depends upon the restoration of the health of government financing. The significance of this task is so great that coalitions which cannot master it are automatically dissolved. It is clear that with the budget decisions of '82 and '83 we have come to the turning-point: away from total indebtedness, away from interest rate stimulation by government action, and toward more individual responsibility and individual participation. In social policy the de factor net

adjustment of pensions, a still more intensified individual participation and responsibility, and benefit payment delays must remain on the agenda. This path must be pursued even when new gaps in the budget crop up in the fall.

Third: The FDP and the Union. In the meanwhile the recognition that democratic parties should basically be capable of forming coalitions with one another has prevailed. Those who have again made Strauss a minister in the great coalition criticize the fact that liberals want to join forces with Dregger. These hypocrites ought to be hooted out of the Wiesbaden temple.

But how can the FDP stay with the Christian Democrats otherwise? Before we answer this question the Union would itself have to make up its mind. Who really decides its policy in essential questions: Woerner/Mertes or Zimmermann/Huyn? Geissler or Kohl or Biederkopf? Bluem or Spaeth? Where are the programmatic alternatives of the Union? Questions and contradictions everywhere crop up. We would have been glad to clear them up. The sooner the better.

Walter Scheel said that it would be worthwhile to arouse new energies in the people with a blow for freedom. Hans-Dietrich Genscher has said that in Hesse one must demonstrate that there are new majorities for new programs. That is correct, and it applies not only to Hesse, but for the whole Federal policy. Perhaps the voters in Hesse will unleash this blow for freedom by giving many votes to the FDP.

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CSO: 3103/650

POLITICAL

ICELAND

HALLGRIMSSON SAYS GOVERNMENT HAS LOST MAJORITY WITH PACKAGE

Paper Attacks Package, Government

Reykjavik MORGUNBLADID in Icelandic 24 Aug 82 p 2

[Editorial: "The Government Crisis, an Economic Crisis"]

[Text] The ministers were able to agree on an interim economic program at the very last minute on Saturday. A provisional law has been publicized and with it special government statements that are nothing but politics. There is a short intermission in the government crisis after all the huff and puff of the last weeks and months.

The ministers make it appear that it came as a total surprise to them in mid-June 1982 that the national economy was in bad shape, that there was wild inflation in Iceland, that companies were in a bad way due to a worsened competitive position, that Icelandic currency was being sold off, that foreign debt was growing beyond all bounds etc. etc. It is an interesting coincidence to call it no more than that, that the ministers have taken a look at the Icelandic economy only after the local elections of this spring. It was already clear to everyone else how bad things had become.

The fact is that it was only after the local elections that the ministers thought it appropriate for themselves and their parties to think about doing something to help the Icelandic economy. In the meantime a government crisis came about and it may be said that it went on for 2 months. It ended with the agreement of the ministers in three main areas: devaluation of the Icelandic krona, wage cuts and tax increases. These increased public burdens are justified by the fact that the national economy is suffering a violent shock that first became clear to the ministers this summer. They have needed several weeks to mobilize for the task. This they have now done. The people have been snatched from danger, must accept their burdens without complaint and rally behind the government.

That view is a presumption, just like the rosy image the ministers continually project about the situation. It will turn out that stronger measures will be needed which will impose heavy burdens on the public. One thing is clear, rather than being at an end, the government crisis will continue as long as the present government remains in office.

The political aspect of the latest heat of the government crisis is that no member of the government can boast of victory in relations with the members of the coalition in recent weeks. This is because they all lost. The prime minister and his supporters gained nothing at the government bargaining table at all. The Progressives claimed to have held firmly to the "downward adjustments" which were expounded by party member Steigrimur Hermannsson in a highly complicated fashion last Sunday evening on television. However, it now looks like inflation will be considerably higher this year even if the "downward adjustments" of the Progressives come to pass. The People's Alliance, on the other hand, has to stand by while the provisional law of the government destroys everything that the party leadership considered most of value for the party after its victory in the 1978 elections. No Icelandic political party is in the same class as the People's Alliance in terms of flagrant breaking of promises, duplicity and demagoguery. The political fallout of the economic measures will be unquestionably the worst within the People's Alliance.

The economic measures of the weekend will be seen as a solution to the crisis of a government that has lost the trust of the people, will continue in office for strange reasons and out of fear of the verdict of the electorate. The economic measures will not, on the other hand, solve the crisis in the Icelandic national economy. There has been a pause in the government crisis, at least for the 4 days which Anker Jorgensen, prime minister of Denmark, spent here. The economic crisis will continue as long as the government ministers sit back in their chairs for fear of going outside their ministries to stand up before the public.

Indépendence MP Halting Support

Reykjavik MORGUNBLADID in Icelandic 25 Aug 82 p 2

[Editorial: "Eggert Haukdal's Decision"]

[Text] Member of the Althing Eggert Haukdal made no bones about his views on the government in an interview with MORGUNBLADID yesterday: "I no longer support the government. I cannot do so on my own account and on account of my constituents. I support the call for the Althing to meet, the government to resign and for new elections." This statement means that the government of Gunnar Thoroddsen no longer has a safe, workable majority in the Althing."

Eggert Haukdal's reasons for his position have long been known to the government since he described them in a 30 June letter to the prime minister. Eggert Haukdal said in his letter, among other things, that the communists had too much influence in the government and therefore there is no hope that things will turn out well. The member of the Althing has since stated: "I became a supporter of the present government in the hope that there could be a certain advantage in this in terms of the fight against inflation and for laying down a trustworthy basis for business in Iceland. These hopes have not been fulfilled at all and it is now the case that Iceland's economy and Icelandic employment are in very dangerous states.

Hallgrimsson Challenges Prime Minister

Reykjavik MORGUNBLADID in Icelandic 25 Aug 82 p 32

[Text] "The news release of the prime minister is a whitewash and shows no respect for the Althing, rather arrogance of power. It is clear that the government lacks an effective and necessary majority in the Althing." So said Geir Hallgrimsson, chairman of the Independence Party, in a conversation with MORGUNBLADID yesterday. Yesterday Prime Minister Gunnar Thoroddsen issued a news release on the statement of member of the Althing Eggert Haukdal in MORGUNBLADID yesterday that he was no longer a supporter of the government. The news release says, among other things, that, contrary to Eggert Haukdal's contention, the government continues to enjoy a majority in the Althing.

Geir Hallgrimsson said the following in his conversation with MORGUNBLADID: "The fact is that the draft of the government's provisional law is opposed by 20 government opponents in the lower house of the Althing, according to their clear statements on the subject. The draft of the law thus lacks a majority in the lower house."

Although government supporters are not immediately ready to disassociate themselves from the government, as the statements of the leader of the People's Alliance Althing delegation would make us believe, and government forces could approve the budget in a joint session of the Althing, there will be many other draft laws that will follow the draft budget and must be voted on before the end of the year, not to mention new proposals that the government wishes approved. Support, however, will be lacking.

The government ministers keenly feel the difficulties the people are wrestling with but can't escape. It is clear, nonetheless, however, that the present government has lived beyond its time, is not dealing with the problems, is doing nothing and should do the right things and resign. The Althing should be called into session to deal with the most pressing issues such as redistricting and the economy. The Althing should then be dissolved and new elections held."

The news release of the prime minister read as follows: "We have Eggert Haukdal to thank, among others, that we were able to form the present government 2 1/2 years ago and solve a long-lasting and dangerous government crisis. Although he will no longer support the government it will certainly continue to function since it enjoys, nonetheless, a majority in the Althing. I hope that Eggert Haukdal will continue to support good and beneficial issues in the Althing."

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CSO: 3111/53

## POLL REVEALS SEVERELY FRAGMENTED, ALIENATED ELECTORATE

Lisbon A TARDE in Portuguese 16 Aug 82 pp 4, 5

[Article: "PS Would Receive the Most Votes If There Were Elections Now"]

[Text] After a poll, 2,000 persons aged 15 years and older, residing in localities of continental Portugal with five or more inhabitants, put it "in writing" that, if the Portuguese were to vote today, the advantage would go to PS [Socialist Party].

According to the visible results accrued from a poll commissioned by this newspaper to the TEOR firm, "today" the Socialist Party would be the political force with the most votes in the event that elections were held. The percentage given to the Socialists (17.4 percent of the express votes) would be superseded only by the number of those who said that they "don't know" (25.6 percent), or those who had "no answer" (21.1 percent). The Democratic Alliance [AD], as a coalition, stood at 13.2 percent, and 10.8 percent of those queried claimed that they would "not vote." Finally, as a third political force most voted for there emerged another coalition [United People's Alliance], with 3.2 percent of the express votes, compared, for example, with 0.7 percent for FRS [Socialist Republican Front].

There are two more aspects to be stressed, by way of introduction. The first is that if, on the one hand, the express votes favoring either the AD coalition, as such, or, in isolated fashion, the parties comprising it, and, on the other, the express votes favoring PS, ASDI [Independent Social Democratic Action], UEDS [Leftist Union for Socialist Democracy] and the FRS coalition (also as such), were to be added individually, the forces currently in the government would have a total of 18.6 percent of the vote, in comparison with 18.1 percent for the Socialist opposition.

As for the second aspect (perhaps the more important one), it lies in the area of the possible extrapolation resulting from the direction of the vote confirmed in previous elections involving the high percentage of those who stated in polls, as they have now, that they "don't know" or who have "no answer"; and who later voted according to tendencies which, generally speaking, were always the same: in Alentejo, favoring PCP [Portuguese Communist Party]/APU; and in many central and northern areas, particularly in the interior, favoring AD and its parties.

The possible reasoning with respect to a poll of this type will be manifold (and even possibly varied). Without going into that realm, the one of reasoning, we shall confine ourselves to putting the data obtained from the poll in the following columns.

## The Data

The national sample collected by TEOR involved nearly 2,000 individuals, aged 15 years and over, residing in localities of continental Portugal with five or more inhabitants.

Two questions were asked by 52 interviewers from that firm of each of the persons interviewed: "If elections were held today, for which of these parties or coalitions would you quite certainly vote?"; and, "If you would not certainly vote for any, for which would you perhaps vote?"

It should also be noted that, during the course of the first question, there was present for each of those interviewed the list of the parties and coalitions involved: ASDI, Independent Social Democratic Action; CDS, Social Democratic Center; MDP/CDE, Portuguese Democratic Movement; PCP, Portuguese Communist Party; PPM, Popular Monarchist Party; PS, Socialist Party; FRS, Socialist Republican Front; PSD, Social Democratic Party; UEDS, Leftist Union for Socialist Democracy; AD, Democratic Alliance; and APU, United People's Alliance.

## Methodology

The "universe" covered by the poll was, as we have said, comprised of the individuals 15 years of age and older residing in the localities with five or more inhabitants in continental Portugal, the number of persons with these features totaling approximately 6.867 million. It is also fitting to point out that this figure (as well as that for each of the strata included in the study) was reckoned on the basis of the 1980 electoral census and the preliminary results of the 1981 census.

As for the size of the poll, as we have also noted already, the sample consists of 2,000 persons distributed by region and habitat, based on the following elements (in parentheses is the exact number of persons interviewed in each one of the regions or habitats cited).

Regions: North Coast (225); Greater Porto (311); North Interior (290); Viseu (75); Interior Coimbra (35); Center Coast (144); Interior Ribatejo (50); North of Lisbon (69); Setubal (60); Greater Lisbon (377); Alentejo (165) and Algarve (135).

Habitat (localities): Fewer than 100 inhabitants (6,100); from 100 to 200 (120); from 200 to 500 (160); from 500 to 1,000 (115); from 1,000 to 2,000 (106); from 2,000 to 5,000 (248); from 5,000 to 10,000 (212); from 10,000 to 30,000 (264); from 30,000 to 100,000 (183); from 100,000 to 500,000 (167); over 500,000 (261).

## Regions and Habitat

Based on regions, and taking into account the five blocs resulting from the division made by TEOR (Coast, North Interior, Greater Porto, Greater Lisbon and South Interior), PS would account for the largest percentage of votes in four of those blocs, winning in Greater Lisbon (16.3 percent, compared with 12.5 percent for AD); in Greater Porto (18.4 percent, compared with 18.3 percent); on the Coast (21.0 percent, compared with 12.2 percent); and in the South Interior

(11.4 percent, compared with 6.3 percent); and it would lose, also to AD, only in the North Interior (15.6 percent, versus 19.3 percent).

With regard to habitat, and in this area also taking into account the five major divisions considered by TEOR (under 2,000 inhabitants, from 2,000 to 10,000, from 10,000 to 100,000, from 100,000 to 500,000, and over half a million), it was found that, according to the express votes, PS would win in the locations, settlements and towns with a lesser volume of inhabitants (20.3 percent, compared with 13.2 percent for AD in the bloc with under 2,000 inhabitants; 15.0 percent, compared with 12.6 percent in that with from 2,000 to 10,000 inhabitants; 14.5 percent, compared with 14.1 percent in that with from 10,000 to 100,000 inhabitants); losing, still in all instances to AD, in the large population blocs (14.3 percent, compared with 19.4 percent in the one with from 100,000 to 500,000 inhabitants, and 10.4 percent, compared with 10.6 percent in the conglomerates exceeding half a million inhabitants). However, the annexed table will provide a broader and more accurate view of the situation observed from this angle.

With respect to insistence (for what party "would you perhaps vote" if you did not vote "quite certainly"), there too, with 3.2 million individuals involved, PS would win a better, although rather slight percentage (2.2 percent, compared with 1.7 percent for AD).

#### Ages and Classes

Based upon the express votes, it might perhaps be claimed that, up to age 54, there was found a predominance of Socialist votes, a predominance that was transferred to AD after age 55.

Actually, PS appears with a better percentage than AD on the age scale of under 24 years (16.7 to 15.8 percent); in that included between 25 and 34 years (24.4 to 5.8 percent); also in that of those aged from 35 to 44 years (19.9 to 9.1 percent); as well as that of those aged from 45 to 54 years (16.2 to 12.1 percent); while a better percentage returns to AD on the scale of those aged from 55 to 64 years (14.3, compared with 17.2), and it increases in that of those 65 years old and over (12.2 to 19.5 percent).

With regard to the socioeconomic classes, determined according to the Warner scale (in the preceding instance and this one, see the pertinent annexed table), we find that the "upper" and "middle-upper" class appears in favor of AD (24.0 to 11.4 percent), while the others ("upper-middle," "lower-middle" and "lower") are inclined in favor of PS (respectively, by 18.4 versus 10.2 percent, 19.2 versus 12.9 percent and 16.7 versus 11.3 percent).

#### Explanation

The following division, with regard to the point associated with "Occupation/Profession," entails a prior explanation aimed at a necessary understanding on the part of the reader.

Hence, on the basis of "Cadres" (upper and middle), in the first category we shall find the owners and administrators of large and medium-sized non-agricultural

business firms; directors and upper cadres of non-agricultural business firms (commerce, industry and services); upper cadres in public administration; liberal professions and similar ones; high political offices; university professors, diplomats, etc. As for the latter (middle cadres), included in them were medium-level cadres in commerce, industry and services; degree-holders not included in the liberal professions; and subordinate officials.

Included in the "Employees of Industry and Commerce" are the employees and sales personnel in commerce, industry and services; the medium-level public servants; and the sergeants.

For this purpose, "Non-Agricultural Owners" should be interpreted as the owners of small firms in commerce, industry and services with wage-earners; the owners of small firms in commerce, industry and services without wage-earners; and the independent merchants and workers.

"Agricultural Producers" will be the (large and medium) agricultural proprietors; the non-wage-earning independent farmers and fishermen; and the members of agricultural production cooperatives.

"Agricultural Wage-Earners" are obviously self-defined.

"Workers" is a designation including both skilled workers (foremen, classified workers, semi-classified workers and specialized workers), and unskilled workers.

"Personnel in Subordinate Services" should be interpreted as office boys, janitors, etc.; privates; service personnel; servants and other active workers.

Finally, "Inactive Population" should be interpreted as the inactive agricultural owners and businessmen; non-working agricultural employees; retired employees of all categories; non-working service personnel and servants; students; pensioners; persons employed in household work, domestic workers, both male and female; other adults older than 18 years of age at home; and others from age 15 to 18 at home.

#### Occupation and Sex

With the preceding explanation given, "who's who" will be easier if we note that there occurred percentages favoring AD among "Cadres" (20.4 versus 16.1 percent for PS), "Agricultural Producers" (22.0 versus 6.5), "Agricultural Wage-Earners" (18.8 versus 14.6) and "Inactive Population" (14.8 versus 14.6 percent).

Recorded in favor of PS were the percentages related to "Employees of Industry and Commerce" (12.9 versus 9.4 percent for AD), "Non-Agricultural Owners" (20.5 versus 16.3), "Workers" (29.1 versus 6.7) and "Other Active Persons" (30.7 versus 7.2 percent).

As for the division according to sex, it does not divide the apparent Socialist supremacy, which was nevertheless more evident among those queried of the male sex (21.8 versus 14.0 percent) than among those interviewed of the female sex (13.6 versus 12.6 percent for AD).

Finally, in this division, or divisions, the table that we are including will make other analyses possible.

#### Purchasing Power and Schooling

As a supplement to a fourth table, also at the reader's disposal, and in the area relating to the "Regional Purchasing Power Index," it must be noted that this index is a variable one constructed on the basis of the following indicators: electric power consumption, stamp tax, individual income (supplementary tax), professional tax, transfer tax, TV sets (licenses), automobiles (light and mixed) and also the indexes of retail sales and population.

On the basis of the aforementioned data, and taking the current poll into account, five groups of municipalities were established: Group I includes municipalities with a "regional purchasing power index" of 21.0 percent and over; Group II contains the municipalities with an IPCR of between 8.0 and 20.9 percent; it is from 2.0 to 7.9 percent for Group III; from 0.5 to 1.9 percent for Group IV; and under 0.5 percent for Group V.

According to the express figures and as may be observed on the respective table, the two forces most voted for continue to be PS and AD: AD leading in the municipalities with a higher purchasing power index, and PS leading in those with a lower index.

As for schooling, AD is preferred (23.5 percent, compared with 7.3 for PS and 9.5 for APU) by those queried with a university education (complete course); and PS was voted for by the majority of those with the former seventh year schooling or its equivalent, and those with incomplete university education (21.2 percent, versus 16.8 percent for AD). AD was voted for by the majority (14.1 versus 8.4 percent for PS) of those with the fifth year of schooling, or its equivalent (the former fifth year and its equivalent, up to the current seventh year completed). And, once again, supremacy is given to PS (21.3 and 14.7 versus 13.2 and 11.0 percent, respectively, for AD) by those with complete elementary schooling (including the other degrees of schooling up to the current fifth year completed), and by those who did not complete or who did not attend elementary school.

#### News Media

Finally, still associated with express figures and now considering "Exposure to News Media" (Table V), there were grouped those who watch, hear or read (in all instances, three or more times weekly) the following organs: RTP [Portuguese Radio-Television System], Channel 1; RTP, Channel 2; RDP [Portuguese Radio Broadcasting System], Antenna 1; OM Commercial Radio; FM Commercial Radio; Radio Renaissance; DIARIO DE NOTICIAS; JORNAL DE NOTICIAS, EXPRESSO and O JORNAL.

The respective table provides the results, showing PS favored in seven of the ten instances cited. In the remaining three, AD "wins" with respect to JORNAL DE NOTICIAS and EXPRESSO (with a second place for APU in both instances); with a "victory" recorded for United People's Alliance (with PS in second place) insofar as O JORNAL is concerned.

Many considerations could be made concerning the figures supplied by this TEOR poll, but we think that it would be better to leave those considerations up to the judgment of the reader who might possibly be interested. By way of conclusion, we shall only give a reminder that, out of an "advised" total of 6,864 million citizens, nearly 3.2 million stated that they "don't know" or gave "no answer." Now this "not knowing" or "not answering" was not a new phenomenon. The results of previous elections are well known.

Table I

Party for which you would quite certainly vote	Total	Greater Lisbon	Greater Porto	Region			Habitat			+		
				Coast	North Interior	South Interior	-2,000 to 10,000	2,000 to 10,000	10,000 to 100,000	100,000 to 500,000	500,000 to 500,000,000	
Total:	6864	1647	694	2468	1119	936	3954	775	1043	275	817	
ASDI	0.0		0.1			0.2	1.8	3.3	2.7	5.3	2.4	
CDS	2.3	4.0	2.9	2.1	1.7			0.7	0.1	0.6	0.3	
MDP/CDE	0.2	0.5	0.2	0.1								
PCP	1.7	1.6	4.1	1.9	0.6	1.1	0.8	3.0	2.9	6.5	2.1	
PPM	0.2	0.3	0.2	0.1			0.4	0.1		0.2	0.4	0.6
PS	17.4	16.3	18.4	21.0	15.6	11.4	20.3	15.0	14.5	14.3	10.4	
PSD	2.9	3.4	5.5	2.8	2.5	1.2	2.1	3.6	4.8	5.8	2.8	
AD	13.2	12.5	18.3	12.2	19.3	6.3	13.2	12.6	14.1	19.4	10.6	
APU	3.2	3.2	3.7	3.9	2.5	2.0	3.1	3.7	4.0	4.8	1.7	
FRS	0.7	0.2	0.7	1.3	0.6			0.8	1.0	0.5	0.5	
Others	0.6	2.2	0.4	0.1				0.6	0.2	0.2	0.9	1.5
Would not vote	10.8	13.6	12.1	9.8	8.1	11.2	11.1	10.5	9.3	10.4	12.2	
Don't know	25.6	15.8	19.9	24.4	29.0	46.1	28.3	21.6	24.3	19.0	19.8	
No answer	21.1	26.4	13.7	20.4	20.1	20.1	17.7	24.4	22.4	11.9	35.6	

Table II

## Age - Individual

Party for which you would quite certainly vote	Total	Age - Individual						Socioeconomic Class		
		-24 yrs	25 to 34 yrs	35 to 44 yrs	45 to 55 yrs	55 to 64 yrs	65 and over	Upper/ Middle Upper	Upper/ Middle	Lower Middle
Total:	6864	1508	1154	1175	1058	774	1193	889	1929	2556
ASDI	0.0	0.3								0.1
CDS	2.3	3.1	0.9	3.2	4.3	0.6	1.2	6.9	3.0	1.3
MDP/CDE	0.2	0.4	0.1			0.2	0.2	1.0	0.1	0.1
PCP	1.7	1.6	1.5	4.1	0.1	2.9	0.5		3.5	1.6
PPM	0.2	0.1	0.2			0.3	0.4	0.5	0.2	0.1
PS	17.4	16.7	24.4	19.9	16.2	14.3	12.2	11.4	18.4	19.2
PSD	2.9	3.9	2.3	3.6	4.2	1.6	1.5	5.7	3.3	3.0
AD	13.2	15.8	5.8	9.1	12.1	17.2	19.5	24.0	10.2	12.9
APU	3.2	3.4	4.0	4.8	3.9	3.0	0.3	5.7	2.1	4.3
FRS	0.7		1.9	0.5	1.0	0.5	0.5	0.9	0.7	0.3
Others	0.6		0.7	0.5	1.7	1.4	2.1	0.4		1.1
Would not vote	10.8	16.4	11.9	10.9	8.4	5.9	8.1	6.7	15.0	10.6
Don't know	25.6	22.4	25.1	23.9	20.0	30.0	33.7	17.2	19.8	28.3
No answer	21.1	16.4	21.0	19.3	28.2	22.1	21.9	17.9	23.3	18.4

Table III

Party for which you would quite certainly vote	Total	Cadres	Employees Comm. & Indus.	Non-Agric. Owners	Agric. Producers	Agric. Wage- Earners	Workers Other Serv.	Inactive	Sex	
									Male	Female
Total:	6864	429	700	253	93	388	1156	357	3487	3192
ASDI	0.0			1.1			1.5	1.2	2.2	0.1
CDS	2.3	3.5	5.6	3.1			0.1	0.2	0.2	2.2
MDP/CDE	0.2		0.4	0.6			3.8	4.3	0.8	0.4
PCP	1.7		3.7	0.8	0.3	0.5			2.9	0.7
PPM	0.2		0.2						0.3	0.1
PS	17.4	16.1	12.9	20.5	6.5	14.6	29.1	30.7	13.6	21.8
PSD	2.9	4.2	4.1	1.9		0.6	3.1		3.2	3.1
AD	13.2	20.4	9.4	16.3	22.0	18.8	6.7	7.2	14.8	12.6
APU	3.2	10.5	3.2	0.9		1.9	5.2	2.8	2.1	4.2
FRS	0.7	3.1	0.2			0.6	0.9		0.5	1.1
Others	0.6		0.4	5.9			1.1		0.3	0.5
Would not vote	10.8	5.8	17.6	7.3		9.2	7.7	6.4	12.3	9.7
Don't know	25.6	19.9	16.7	15.2	28.1	33.8	23.1	22.5	28.9	17.7
No answer	21.1	16.4	25.5	26.3	43.1	20.0	17.9	24.8	20.5	21.7

Table IV

Party for which you would quite certainly vote	Total	Purchasing Power Index (IPC)						Schooling				
		21% and more		8% and 20.9%		0.5% and 1.9%		-0.5% compl.		Univ. year	7th year	5th compl.
		Total	more	more	more	more	more	more	more	year	year	compl.
<b>Total :</b>	6864	790	276	1056	1614	3128	193	503	816	3306	2046	
ASDI	0.0					0.1						0.1
CDS	2.3	2.5	5.3	4.9	1.2	1.8	1.2	4.9	6.0	6.0	1.8	1.2
MDP/CDE	0.2	0.4	0.6	0.5	0.1					1.0		0.1
PCP	1.7	2.1	6.5	1.4	2.6	0.9				1.7	2.4	1.3
PPM	0.2	0.6	0.4		0.1	0.1			0.6	0.3	0.2	
PS	17.4	10.7	14.3	21.2	18.3	17.6	7.3	21.2	8.4	21.3		14.7
PSD	2.9	2.9	5.8	3.3	3.4	2.3	5.9	3.0	7.4	7.4	2.8	1.1
AD	13.2	11.0	19.4	15.6	11.6	13.3	23.5	16.8	14.1	13.2		11.0
APU	3.2	1.7	4.8	5.5	3.4	2.6	9.5	1.4	4.7	4.7	3.0	2.9
FRS	0.7		0.5	0.4	1.4	0.6	1.1	0.8	0.5	0.5	0.9	0.4
Others	0.6	1.6	0.9	2.4		0.1		3.3	0.2	0.7	0.1	
Would not vote	10.8	11.7	10.4	14.3	11.3	9.3	6.4	16.8	13.4	10.9	8.7	
Don't know	25.6	19.7	18.9	15.6	25.0	31.3	29.0	13.9	22.9	20.4	37.5	
No answer	21.1	35.1	12.2	15.0	21.6	20.1	16.2	17.2	19.5	22.2	21.2	

Table V

Party for which you would quite certainly vote	Total	Television			Radio			Newspapers		
		RTP/1	RTP/2	Antenna 1	OM Radio	Comm.	FM Radio	DIARIO Renaiss.	JORNAL NOTICIAS	EXPRESSO JORNAL
Total:	6864	4748	1503	859	530	652	706	247	316	123
ASDI	0.0									
CDS	2.3	2.9	2.2	1.1		3.1	2.5	1.0		3.4
MDP/CDE	0.2	0.2	0.1		0.9	1.1	0.2			1.0
PCP	1.7	1.7	1.8	1.2	2.1	1.1	0.8		2.5	4.9
PPM	0.2	0.1	0.1	0.5		0.3	0.8	0.9		
PS	17.4	19.5	19.2	20.7	26.1	18.2	25.7	28.8	11.7	14.3
PSD	2.9	3.1	2.5	2.6	1.9	3.2	1.6	7.4	3.0	5.7
AD	13.2	12.0	9.0	17.2	10.3	17.1	16.8	15.4	15.6	27.8
APU	3.2	3.4	5.1	11.2	2.2	3.1	1.9	0.4	13.9	19.3
FRS	0.7	0.7	1.3	0.3	2.4	0.9	2.9		1.2	
Others	0.6	0.9	1.3		1.9	0.5	2.2			
Would not vote	10.8	10.9	12.0	6.3	12.0	19.5	12.4	10.8	17.0	6.5
Don't know	25.6	23.0	22.4	17.9	22.2	13.3	14.3	4.3	14.1	14.6
No answer	21.1	21.5	23.1	21.0	18.0	18.7	17.9	28.6	14.2	11.8
										5.9

2909

CSO: 3101/64

## PRESIDENCY VIEWED AS MOST CONFIDENCE-INSPIRING INSTITUTION

Lisbon O PRIMEIRO DE JANEIRO in Portuguese 18 Aug 82 p 4

[Article: "Poll Shows Ramalho Eanes as Guarantee of Stability"]

[Text] Out of 2,000 persons aged 15 years or more, queried all over continental Portugal, 34.5 percent cited the president of the republic as the greatest guarantee of stability, while 8.4 percent mentioned the government, 4.9 percent the Assembly of the Republic and 4.5 percent the Council of the Revolution, and 4.4 percent did not think that any of the organs served this purpose.

The percentage of those who replied that they did not know was 27.9, and that of those with no answer was 15.5.

The TEOR poll notes that, in the city of Porto, the index of those who cited the president of the republic is higher than in Lisbon, 31.2 and 27.3 percent, respectively; while the government was mentioned by 9.7 percent in the former city, and by 12.4 percent in the latter.

It is among the upper and middle cadres in business firms and public administration, and the liberal and other similar professions, that the percentage ascribing that guarantee to the president of the republic is the lowest: 30.8 percent; but it amounts to 43 percent among those employed in commerce and industry, and 45 percent among specialized and unspecialized workers.

AD/PS Accord: 47 Percent Without a Formed Opinion

Another aspect of the poll indicates that nearly half of the Portuguese people (47 percent) have not formed an opinion regarding the accord concluded between the Democratic Alliance and the Socialist Party for the constitutional revision.

Nearly 27 percent consider this accord positive, 16 percent regard it as negative and 10 percent neither agree nor disagree.

The populations of the Greater Lisbon and Greater Porto areas express views that are not far removed: 31 percent of the residents of Greater Lisbon and 37 percent of the Greater Porto inhabitants agree with the AD/PS accord totally or partially.

The same report gives 22 and 20 percent, respectively, to those who disagree totally or partially, and 10 and 14 percent to those who neither agree nor disagree.

The response from the cities of Lisbon and Porto, however, reveals a major difference: 41 percent of the Porto residents are totally or partially in agreement with the AD/PS understanding, while only 27 percent of the Lisbon residents voiced this opinion.

A total of 20 percent of the residents of the city of Porto have no formed opinion on the matter, and 41 percent of the Lisbon residents are in the same category.

In the "upper and middle-upper" classes, 56 percent of the individuals describe themselves as totally or partially in favor of the AD/PS accord, while 74 percent of the "lower class" have no opinion, 11 percent agree and 10 percent disagree.

#### Indecision Regarding Usefulness of the Council of the Revolution

The age group of those between 15 and 44 years old shows a larger percentage of disagreement with the AD/PS accord than that found among the persons queried who were 45 years of age or older.

In response to the question: "Was the Council of the Revolution useful to the country?", over 25 percent of those polled replied affirmatively.

Nearly 21 percent consider the action of this organ of sovereignty to have been of little or no use, 38 percent replied that they did not know and 16 percent refused to give an opinion.

The population aged between 25 and 44 years is the one that attributes the greatest usefulness to the Council of the Revolution.

Establishing an index of the usefulness of the Council of the Revolution based on a scale of 1 to 4 (wherein the mean would, therefore, be 2), the responses, according to region, indicated: Greater Lisbon, 1.6; Greater Porto, 1.4; Coast, 1.6; North Interior, 1.2; and South Interior, 1.7.

The same scale, according to age groups, indicates: 15-24 years, 1.4; 25 to 34 years, 1.7; 35 to 44 years, 1.7; 45 to 54 years, 1.5; 55 to 64 years, 1.6; and 65 years and over, 0.9.

The 2,000 persons 15 years of age or older queried by TEOR (a firm specializing in opinion studies) represent approximately 6,864 Portuguese with these features (number reckoned on the basis of the 1980 electoral census and the preliminary results of the 1981 census).

2909  
CSO: 3101/64

POLITICAL

PORUGAL

SOARES SINGLES OUT LACK OF ECONOMIC PRODUCTIVITY AS KEY PROBLEM

Rio de Janeiro O GLOBO in Portuguese 29 Aug 82 p 36

[Interview with PS leader Mario Soares, in Lisbon; date not specified]

[Text] Lisbon--In an exclusive interview with O GLOBO, the former prime minister of Portugal, Mario Soares, advocated an agreement among all the social forces, so as to enable the country to emerge from the serious economic crisis that it is undergoing. He said that, instead of the "economic liberalism" proposed by the present government, or the collectivist system, Portuguese tradition recommends the maintenance of a dynamic public sector coexisting with private enterprise.

In this interview, Mario Soares, leader of the Portuguese Socialist Party, discusses the difficulties faced by Portugal during the 8 years that have elapsed since the movement which overthrew Salazarism, the struggle against the pro-communist military threat and the hopes afforded with the revision of the Constitution, in his view "an essential step toward democracy" in a country which has by now become accustomed to the "irreplaceable taste of freedom."

[Question] The battle waged in 1975 against the totalitarian attempt, and the constitutional revision are highlights, after 8 years, on the path toward the construction of democracy in Portugal. Do you agree with this view?

[Answer] I do. It should be noted that the institutionalization of democracy in Portugal has been a complex process, which is far from being completed. It is, in fact, difficult in a peripheral European country, among the most backward in Europe, which has enormous financial problems after a retrogressive dictatorship lasting for half a century and 14 years of colonial wars (with the empire lost, and with the decolonization carried out under traumatizing conditions, with a lag of 20 years), to institutionalize a modern democracy and to put it into operation against the extremisms of an opposing nature.

The events that have been cited, with emphasis on 25 November 1975, which put an end to the Goncalvist "hot summer" (government of Prime Minister Vasco Goncalves), and to the pro-communist military threat, are milestones in this eventful 8-year interval. The constitutional revision (which has now been completed) is another major step, inasmuch as it insures the end of the so-called "transition period," abolishing the Council of the Revolution and subordinating the Armed Forces to the civilian government resulting from free, universal voting, as is the case in all the European democracies and the countries which are members of NATO.

[Question] Do you consider democracy a reality in Portugal?

[Answer] I do. There is no other alternative for a country like Portugal. There is no solution to the Portuguese problems apart from democracy. Without democracy we would never join the Europe of the Economic Community (EEC), which is the great challenge facing us. We would return to being an aberrant country in the international community, like Turkey, without any opportunity to exploit our geo-strategic position in a constructive manner.

Only, as I said, it is not easy to institutionalize a stable democracy in a country that is developing, with obvious shortcomings, great regional imbalances and explosive social problems (lack of housing, unemployment, serious deficiencies in the area of social security, health, education, etc.).

All of us Portuguese are engaged in our democratic learning process, with young parties and unions, with total freedom, conditioned by what may be regarded as an explosion of demands. All the people want everything, which is only natural after so many years of repression. Hence, the contradictions in Portuguese society are numerous and quite evident, just as the difficulties are. However, despite the excesses and mistakes, with some lack of realism and absence of verbal restraint, we have progressed and learned a great deal during the past few years. We have become accustomed to the irreplaceable taste of freedom. We are a republic of citizens. I don't believe that it will be possible to turn back, fortunately.

[Question] What role do you ascribe to the revision of the Constitution in the consolidation of Portuguese democracy?

[Answer] The constitutional revision is an essential step in the consolidation of democracy. Once it has been concluded, we shall have a text of which the democrats can be proud, establishing advanced socioeconomic laws in a semi-presidential system with a mixed economy and with fully democratic, civilian-oriented, modern institutions, based on the best Portuguese tradition. Most of all, the constitutional revision, once it has been concluded, will represent a weapon that is removed from the right wing arsenal. It represents a victory for democracy.

[Question] Could you explain the difficulties confronted during the constitutional revision process?

[Answer] The revision has its foes at both ends of the Portuguese political spectrum: the right wing nostalgic for Salazarism, and the Communist Party. Also, some of the military who like to stress the importance of what they call the "military component of the regime" felt frustrated and perhaps even angered by the abolishment of the Council of the Revolution.

There were many blows, intrigues, pressures, counterpressures and, in particular, misunderstandings, originating in many sectors, even among friends; but all were objectively aimed at delaying or even preventing the constitutional revision process, which required two thirds of the deputies in order to be carried out.

In certain attacks, the parties and the operating method of the parliamentary groups were particular targets. But, despite everything, it was proven that the

parties, regardless of the natural differences, are capable of holding dialog with one another and reaching the necessary consensus. This, unquestionably, represents a victory for the multiparty democracy in which we want to live.

[Question] Despite the importance of the constitutional revision, it is doubtless necessary to adopt measures for changing the Portuguese economy. Do you agree with this?

[Answer] I agree, obviously. The Portuguese situation is extremely difficult in economic terms. The country consumes far more than it produces. It lives well beyond its means. Hence the financial imbalances which affect it in connection with the transactions abroad. This serious problem is not merely a short-term one, resulting from the international crisis, the price of oil or the increased price of the dollar. It is structural.

The government of the Democratic Alliance (AD), a coalition comprised of the Social Democratic Party, the Social Democratic Center Party and the Popular Monarchist Party, which has been in power for the past 3 years, and has only helped to worsen the situation, in alarming proportions, thinks that everything could be resolved with a return to "economic liberalism" and with receptiveness to private enterprise. It is wrong.

The Socialist Party declares itself opposed to collectivism, but it does not believe in monetarist prescriptions either. There is a strong tradition of state interventionism in Portugal, which dates far back, and which advises the maintenance of a dynamic public sector, on a par with private enterprise, and in concurrent coexistence with the latter. This model was established in the constitutional revision and, in my view, it is a good thing.

Changing Portuguese economic activity is an imperative: the system must be modernized and streamlined for the purpose of increasing production. We must export more and import less; curb inflation; carry out a policy with much good sense, protecting the purchasing power of the working masses, and arousing the confidence of workers and business owners. How? Through a consensus negotiated among the social partners, so that each one will know very concretely what is awaiting it and how far it can go. The confidence of the social partners entails a strict definition by the government of the groundrules. Only in this way will it be possible to find non-demagogic solutions to the serious crisis that the country is undergoing.

[Question] What measures do you deem important, and what must be done to adopt them?

[Answer] In an acute crisis situation, it is only through widespread national consensus that realistic, pragmatic solutions can be found. They cannot emerge only from enlightened brains, but rather from a long national debate involving all the agents of production. The Socialist Party has a well-defined set of measures, requiring urgent implementation, to solve the problems that beset us most. It is submitting them to the electorate for free debate, and pledges to implement them if it should become the governing party by virtue of the popular vote, over a well determined period of time.

[Question] How do you view the possible establishment of a "central bloc"?

[Answer] The idea of the "central bloc" was put forth by Gen Ramalho Eanes on the eve of the last election campaign. Thus far, it has not had (nor could it have had) any practical materialization, because the president of the republic does not have executive powers and he is not head of a party, although some of his friends often speak of a "presidential party" (a threat that has frequently been repeated, but never carried out to date).

But, a "central bloc" with which parties? The existing ones? But the Social Democratic Party, that of the government, is part of a right wing coalition, which is certainly quite insecure, but which has maintained itself. With new parties to be formed? It would first be necessary to test them in the election area, and to see what their political weight would be. Hence, I conclude that, at the present political time, the only alternative to the right wing bloc (AD) is the Socialist Party and its natural allies of the democratic left. Realistically, there is no other alternative.

[Question] Are you confident in the future of Portugal?

[Answer] Yes, despite all the fears that the national and international crisis have aroused in me. But I trust in the good sense of the Portuguese people, in their democratic inclination and in their deep love for freedom.

2909

CSO: 3101/64

## PSOE ENTERS ELECTORAL SEASON WITH EMPTY COFFERS

Madrid ABC in Spanish 9 Aug 82 p 19

[Text] Madrid--In 1981, the PSOE's debts reached 1.642 billion pesetas, as shown in the consolidated balance worked up by this party and dated December 1981, to which EFE has had access.

This quantity breaks down into long-term and middle-term debts of slightly over 1.279 billion pesetas, and short-term debts just over 363 million pesetas.

According to this document, the 1981 deficit of the Federal Executive Commission rose to 553 million pesetas, to which must be added the deficit from preceding years of 183 million and the consolidated result of 41 million.

The material assets of the PSOE, as recorded on the assets side of the balance sheet, and made up of land, natural goods, buildings, furniture and transport items, amount to 606.4 million pesetas, whereas immaterial assets (industrial property) amount to 3.1 billion pesetas and financial assets (financial investments and middle-term loans) are equal to 14 million.

In regard to financial accounts (fixed-term impositions, finances and required deposits, savings and bank accounts), the PSOE has assets of 316.8 million pesetas.

In its consolidated federations budget for 1982 the PSOE foresees a deficit of almost 69 million, the difference between receipts of 396 million and expenditures of 465 million.

Significant in the area of expenditures are personnel costs, with a sum of 217 million; costs of administration and activities, with 115 million; payment of principal and interest, 77 million; and parliamentary offices, 47 million.

In regard to receipts, the Federal Executive Commission contributes the largest amount, something over 274 million in subsidies. Following this account are dues from public offices, bringing in 78.7 million, and members' dues, contributing 35 million. Receipts from the sale of propaganda account for only 755,000 pesetas.

According to information received by EFE from sources in this party's secretariat, there has been a 10-percent increase in PSOE membership since the 29th PSOE congress, held in October 1981.

The PSOE had 107,233 members as of 1 July 1982, with the last certain reference point being the 101,000 members counted in the 28th congress (May 1979).

According to these same sources, in the period from October 1981 to date there has been a loss of 5,000 members and 15,000 new affiliates.

The PSOE currently has 2,859 groups, 18 federations for nationalities and regions and 2,100 centers.

In terms of percent, .27 percent of the Spanish population is enrolled in the PSOE. The leading regions in regard to the number of socialist members are Castilla-La-Mancha, Murcia, Asturias, Extremadura, Pais Valenciano and Andalusia, whereas Catalonia has one of the lowest indices of affiliation, only .14 percent.

At this time the organizational objective of the socialists is to prepare their organization to be a party participating in the government, as stated by Carmen Garcia Bloise, PSOE organizational secretary.

Nevertheless, in these nearly 4 years since the last general elections were held, the PSOE has developed an intense organizational life, which has been translated into two regular federal congresses, one extraordinary congress and some 222 provincial and regional congresses.

9746  
CSO: 3110/217

## PAPER COMMENTS ON SUB INCIDENTS IN SWEDISH, FINNISH WATERS

Helsinki HUFVUDSTADSBLADET in Swedish 17 Aug 82 p 2

Editorial by Rafael Paro: "Reflexes Tested by Submarine Visit"<sup>7</sup>

Text<sup>7</sup> Military as well as political reflexes can be tested by obscure submarine visits, Rafael Paro writes and stresses that good vigilance by the citizens is needed in the future as well.

Many people move about in the Finnish waters in the dogdays of summer. The preconditions for discovering those who are up to something illegal are greater than at other times of the year. If foreign submarines are there in order to mingle with the small craft traffic, the peak of summer is undoubtedly the right time.

It is possible that the object photographed by Dr Kaj Sittnikov on 3 August was a car ferry and not a submarine. But not even the commander of the Coast Guard of the Archipelago Sea, Seppo Kanerva, wants to dispute the theoretical possibility that a submarine could have been moving near Skiftet. However, various expert evaluations and test photographs taken in the same region and at the same time of day indicate that it is perhaps more likely that it was a car ferry than a submarine.

But one does get a little confused by the fact that the experts are having difficulty agreeing on what ferry it was. First came the Coast Guard of the Archipelago Sea with the information that it was the ferry "Rosella." But now both the captain of the "Rosella," Bengt Skogberg, and the captain of the "Viking Sally," Ture Sundqvist, agree that it must have been the "Viking Sally" which is visible in the blurred picture, taken with a 200 mm telephoto lens at a distance of about 5 nautical miles.

There is something comforting, nonetheless, in a summarizing commentary from the Main Staff to HELSINGIN SANOMAT: "The name of the ferry is not the central issue; what is important is that it is a Finnish car ferry in the picture." Those who are still doubtful can actually be certain of only one thing: It is not a Finnish submarine. Such a thing has not existed since World War II. In the Paris peace treaty Finland pledged not to have any submarines.

Submarines are neither easy to navigate nor to detect in Nordic waters. This was shown to some extent by the U 137 incident at Karlskrona. Not until the submarine had run aground was it discovered by fishermen. It is perhaps so that both factors, the navigational difficulties as well as the relatively low risk of being caught in the act, tempt strangers to go exploring. The reflexes of the Nordic countries are being tested. The general opinion is that it is only the East bloc nations which show a similar navigational interest. It is possible that a basic mistake is being made on this point. In other military connections the Western camp has occasionally shown a certain curiosity regarding the actual military preparedness of Sweden and Finland. The actual value of protective neutrality is a question which is equally interesting to the East and West.

Spokesmen for the Swedish government described the Karlskrona incident as the most dramatic violation of Swedish territory since World War II. When the Coast Guard patrol ship Kuikka on 16 June with three warning shots in vain tried to force an unidentified submarine to surface in northern Alands Sea, the chairman of the County Council [Aland] Folke Woivalin described the actions of the submarine as the most serious violation so far of the demilitarization of the province.

Taken together, these statements undoubtedly give the impression that some form of escalation is under way in the Baltic waters.

The observation by the chief of the Swedish defense staff, Bengt Schuback, that "a foreign power is preparing war against Sweden," seems to be an exaggeration. But it can also be viewed as an acknowledgement that "the message has been received" and a guarantee that the Swedish defense reflexes are functioning. And it has been important to show that we in Finland also have not just been dozing in the summer heat.

However, most important is the political charge contained in the obscure visits. If these become more numerous, the political reflexes will soon also be tested. Soon, the dogdays of summer will be over, and then we must have other things to blame. Proof of good vigilance by the citizens will then be needed, of the same kind as was shown by veterinarian Sittnikov--regardless of whether or not he was mistaken.

11949  
CSO: 3109/227

## PAPER EXPRESSES CONCERN OVER SDP'S CAMPAIGN DEFENSE PLATFORM

Stockholm SVENSKA DAGBLADET in Swedish 18 Aug 82 p 2

Editorial by unnamed: "Defense Issues"

Text In a very special and also deeply disturbing sense the Social Democratic election platform is a strange document. It says there that "Sweden is a good country." Yet, not one word deals with how to defend our country's freedom and the resources needed for it.

It is strange in view of the fact that the Swedish people is having an election while the international situation is more tense than at any time since the years of the Cold War.

The Social Democratic split on the defense issue is well known. Regarding the JAS project, we know that two Social Democrats voted with the non-socialists. More serious was of course that eight Social Democrats with Maj Britt Theorin at the head did not even support their own party but joined up with the communists on this issue.

In the introduction to the election platform one can read that "free peoples are the most secure foundation for the continuation of peace" and that "the Social Democrats support the peoples' liberation struggle for national independence, freedom and democracy." This formulation is not all that correct. National independence is not always the equivalent of democracy. It is indisputable that the Social Democrats have supported minimal requirements for democratic development.

Where can a Swedish voter, who before making a decision would like to find out about the defense policy of the Social Democrats, get information? Traditionally, one refers to the resolutions of the party congress. But nowadays the party chairman seems to have the authority to interpret or change them. Admittedly, it is also possible to study the party proposals and what was said by the party leader, Olof Palme, himself in Parliament.

Let us disregard that Palme in the parliamentary debate spoke of a decision that had the characteristics of a coup with only a one-vote majority--and this despite his knowledge that two from his own party group would vote with the non-socialists on JAS. The significant words in this connection are the following, as they appear in the parliamentary records:

"But we do not feel bound for a period of 40 years by a parliamentary decision passed with a slim majority and without having given us the opportunity of proper insight. We reserve the right to bring up in the future the issue of the necessary composition of the Swedish defense in its entire scope. This will take place without any changes in our policies ...."

By "in its entire scope" is meant the total defense. Naturally, this also includes keeping the JAS issue open. This is evident from Palme's continued words.

One of the defense questions, to which Palme has to reply before election day, is therefore:

Will the Social Democrats respect Parliament's JAS decision?

The simple answer to this question is yes or no and not lengthy explanations about waiting for a new decision.

But let us scrutinize the Social Democratic defense policy from the viewpoint of the concept "in its entire scope." It is said, among other things, in the platform of the Social Democratic party congress: "One of the goals of the Social Democratic defense policy should therefore be to reduce total defense spending during the coming period covered by the decision." Will the Social Democrats respect the parliamentary decision or, in case of a victory, undertake changes?

The question is not unimportant. In addition to the lower total cost, the Social Democratic party congress presumes a "readjustment" which includes "reduced funding for military defense." Do the Social Democrats intend to put any changes in that direction into effect?

The answers are also not without interest. Neither is the fact that our foremost peace and freedom-keeping instrument, the defense, is not mentioned with a single word in the election platform, which the Social Democrats themselves have given the title "Peace and Work." Imagine how satisfied Maj Britt Theorin must feel!

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## NEW HEAD OF DEFENSE MATERIEL AGENCY LAUDS APPROVAL OF JAS

Stockholm SVENSKA DAGBLADET in Swedish 15 Aug 82 p 6

Article by Erik Liden: "The New General Director of the Materiel Agency: 'JAS Creates Respect for Swedish Defense'"

Text "We must quickly accept the 600-700-person cut in personnel and create a forceful, uniform government office, which is not, as it is today, based too much on the three branches of service."

These are the words of Carl-Olof Ternryd, who on 1 July exchanged the general director's chair at the Road Administration in Borlange for the one at the Materiel Agency which is at Gardet in Stockholm. He simultaneously became the first materiel chief who has no military background.

"After 25 years in the Road Administration I regard it as a challenge to become head of the Defense Materiel Agency FMV, which will be reorganized and concentrated at the same time."

Ternryd is basically a civil engineer from the Stockholm Institute of Technology, and he has a doctorate from its civil engineering department. After working for a time as land surveyor in Uddevalla, he has been employed with the Road Administration since 1957, the last 4 years as a general director.

After a few weeks as top man in Stockholm he does not want to go into details about materiel procurement in the future, but on the aircraft issue he has a definite opinion.

"The JAS project will stimulate Swedish industry with many spin-off effects. It has enormous importance internationally that a small nation such as Sweden can demonstrate a supermodern technical project of this magnitude. It creates respect for Swedish industry and defense."

Ternryd's major task will be to implement the organizational changes passed by Parliament; 600-700 jobs are to be eliminated and the activity will be concentrated to Gardet and Karlstad. In 1985 2,900 people will work at the FMV.

"Now it is important to rapidly sort out what tasks we will have and look positively at the rationalizations which have to be undertaken. Despite the



"I see myself as someone who makes neutral judgements and decisions since I am not a military," says Carl-Olof Ternryd, who on 1 July became the first civilian general director of the Materiel Agency.

personnel reductions we will recruit 80-100 qualified employees each year, who just as the old ones need work stimulation, not a lot of complaining. This is why the new organization will not be held back, but instead it is important to guide it into harbor quickly."

Ternryd will invest a great deal of time and effort on effective, business-economic leadership and advanced training of executives.

"I will personally talk to all department heads, both new and old. I have already had time for two meetings with the union organizations. My model will not be negotiations but cooperation to the greatest possible extent."

### Meet Employees

All spring Ternryd practiced working at FMV. He set aside at least one day a week to become familiar with the agency's work and to meet different employees.

"In the future, joint functions will be utilized jointly, and not as is done today by service branch. The rule in all companies is that the resources must be utilized to the maximum extent, and everything superfluous must go."

"We will manage adjustments in the future organization without outside intervention. It is not the number of employees which is important but what the employees do and what motivation they can get from their superiors."

### Modern Government Agency the Goal

The defense establishment buys materiel for about 5 billion kronor a year.

Ternryd wants to develop the FMV into a modern uniform government agency with emphasis on efficiency, with management groups between the main departments.

"It must not be assumed that the FMV still consists of three units with connections to the service branches. We must utilize the unity in all major projects and jointly use the great amount of knowledge which the FMV possesses in areas of electronics, weapons and missiles."

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MILITARY

SWEDEN

DEFENSE MINISTER DISCUSSES NEW RULES FOR DEALING WITH SUBS

Stockholm SVENSKA DAGBLADET in Swedish 14 Aug 82 p 3

Article by Defense Minister Torsten Gustafsson (Center Party): "New Submarine Rules no Paper Tigers"

Text During the summer months this year a relatively large number of submarine incidents occurred around our coasts. With the startling violation by Submarine 137 of the Karlskrona archipelago last fall in fresh memory, it is quite understandable that these new incidents have aroused concern in the public. They have also caused a lively debate in the press. Against this background it might be of interest to give an account of the measures which have been undertaken and which will be implemented over the next few years in order to improve our capabilities of detecting and repelling foreign submarines.

A common trait to the submarine incidents this summer has been the large amount of cleverness on the part of the violating submarine. The incidents of violations by submarines have increased in number in the last few years and have become more serious in character. The press debate during the summer has reflected extensive speculations about the purpose of these violations. I, for one, will restrict myself to stating, that the submarine incidents this year confirm the evaluation that our country is the object of increasingly greater attention from foreign powers.

Advantage on the Side of the Submarine

The submarine contacts this summer, both those at the beginning of June and the most recent ones at the end of July, were isolated and brief. In none of the cases was it possible to determine the type or nationality of the trespassing submarine. It is beyond all doubt, however, that on at least some occasions it was foreign submarines with which contact was made. In these cases the correct measures were undertaken in accordance with our present access regulations, and it was possible to turn the submarines away from Swedish territorial waters.

In this connection it should be emphasized that submarine hunting is an extremely difficult activity. It requires advanced instruments operated by personnel with a long period of special training. The effectiveness of the reconnaissance instruments is highly dependent on weather conditions, as well as on

the temperature and salinity conditions of the sea. At this time of year, in particular, their effect is very unfavorable.

Another factor is that the very uneven sea floor which characterizes the Baltic Sea causes false contact readings by the reconnaissance equipment. In short, the advantages are almost totally on the side of the submarine. Against that background the meritorious contribution made by the personnel engaged in the submarine chasing this summer deserves a great deal of respect.

#### Large Number of Improvements

Our present antisubmarine resources are limited. However, in its defense decision at the beginning of June Parliament, acting on a government proposal, appropriated 200 million kronor, which above and beyond other defense appropriations will be used to improve the capability of the Navy to carry out surveillance and submarine hunting. In addition to that, we strive to increase the coordination between the military and civilian coast guards. A large number of improvements have thus been initiated, and within about a year the armed forces will have considerably greater possibilities than today for maintaining surveillance in archipelagoes and coastal sections.

Of the reinforcements which are planned, the following, among others, may be mentioned more specifically:

--A new low-level reconnaissance radar will be acquired in cooperation between the Navy and the Air Force. It is considerably more efficient than today's radar equipment, and it can for example detect submarine periscopes. When this new radar system has been completely installed, the surveillance capability along our coasts will be considerably improved.

--The Navy's capability and endurance for antisubmarine intervention will be improved by outfitting all of its 10 heavy helicopters with complete and highly advanced antisubmarine equipment. Furthermore, a new, light helicopter will be acquired. It will be suitably equipped for surveillance at sea, with special focus on submarine hunting. With these measures it will also become possible to provide antisubmarine resources to areas which today do not have such means on a permanent basis.

#### Shaped-Charge Effect

--In order further to improve the capability of surveillance at sea and identification of the observations made, light aircraft will be purchased or leased which will be specially equipped for antisubmarine reconnaissance. Four older motor torpedo boats will be converted to patrol boats.

--A somewhat longer-range plan is to improve the intervention capability and range for antisubmarine warfare of the two new missile boats which are on order from the Karlskrona shipyard. These will be outfitted with towed sonar equipment, which is a very advanced submarine reconnaissance instrument. Orders for another four missile boats, also equipped with towed sonar, are planned for the next 5-year period. In order further to increase antisubmarine

capabilities in the long range, new techniques in reconnaissance equipment are being studied and tested at the FOA /National Defense Research Institute/. Laser technology, for example, opens up interesting possibilities in this connection.

--Two new types of weapons for use in dealing with peacetime incidents are in the process of being developed. MALIN is a magnetic radio direction-finding device, which can adhere to the hull of a submarine and makes it possible to determine the position of the submarine and follow its movements. ELMA makes it possible to force a submarine to surface for identification. The weapon is equipped with a limited explosive charge which with a shaped-charge effect blows a small hole in the hull of the submarine. The effect of it does not jeopardize the crew of the submarine but forces the submarine to surface in order to avoid serious consequential damage.

#### Depopulation of Archipelagoes Distressing

The submarine sightings this summer were largely made by the civilian population in the outer archipelago. This underlines the importance of "many eyes" along our coasts. The ongoing depopulation of the archipelagoes is therefore distressing. This is a development which we must try to reverse.

Even now, however, military and civilian resources can be better coordinated. In its defense decision Parliament allocated resources for expansion of the Navy's surveillance centers. Tests are being conducted in Malmo, where the Coast Guard and the National Administration for Shipping and Navigation are making use of information collected and processed at the Navy's Center for Surveillance at Sea.

The experience of this will be applied to the continued coordination efforts. The more efficient surveillance at sea which will be achieved through this coordination is important to the defense and to the foreign policies. It also has a positive effect on commercial shipping, the fight against narcotics, sea rescue operations, nature conservation, customs surveillance and coastal fishing.

#### Forced to Surface

In mid-June the government decided to pass two new regulations, which in peacetime and neutrality regulate access to Swedish territory and intervention in case of violations of these access regulations.

The basic idea of the previous rules was that ships and aircraft which violated Swedish territory were to be turned away. An important change is now introduced with respect to particularly serious violations by submarines or surface vessels, which have penetrated to inner Swedish waters, that is to say into the archipelagoes, among other areas.

An absolute demand for identification is introduced for these especially serious violations, as a basis for necessary foreign-political measures. This means, among other things, that submarines found in a submerged position will

be forced to the surface, boarded, identified and brought to an anchorage for further action. If necessary, armed force may be used.

No Paper Tigers

The new regulations will take effect on 1 July 1983, in accordance with the proposal by the commander in chief. This may seem to be a delay. However, it is necessary to allow time for a corresponding review of the implementation regulations of the commander in chief, for affected personnel to be given the necessary training in the new regulations, for other nations to be officially informed of the rules which will apply and for the new incident weapons which are now being tested to be supplied to the units. But since the new regulations have been passed by the government, we have already made a political statement to the rest of the world.

It is our hope that the new rules, in particular the ones applying to intervention against submarines in inner waters, will have a considerable deterrent effect. The resources which we simultaneously set aside for the improvement of our antisubmarine capability and for acquisition of special incident weapons should insure that the new regulations will not become merely paper tigers. When they go into effect next year, they will be enforced to the full extent.

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